



Cambridgeshire
Police & Crime
Commissioner

MEDIUM TERM FINANCIAL PLAN

2014/15 TO 2017/18

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1. Introduction

1.1 The Medium Term Financial Plan (MTFP) is Cambridgeshire's Police and Crime Commissioner's key financial planning document.

1.2 The MTFP identifies:-

- the revenue budget requirement for the next financial year and the forecasts for the following three years,
- how the budget requirement is financed,
- how difficult budget settlements in the next few years will be addressed whilst still protecting the number of officers, especially neighbourhood policing, and
- future funding changes and risks.

1.3 The MTFP identifies the challenges and opportunities for the Police and Crime Commissioner (PCC) in seeking to achieve a balance between:-

- frontline service delivery and achievement of the key Police and Crime Plan objectives over the next four years
- accommodating known increases in costs within the current economic climate

This must be achieved against a background of:

- government grant reducing over the life of the MTFP

and:

- public expectations around the affordability of Council Tax increases

2. Cambridgeshire's Police and Crime Plan

2.1 The Police and Crime Plan sets out the Commissioner's objectives for reducing crime and disorder in Cambridgeshire, how policing resources will be allocated and agreements for funding and reporting on the work. Due regard must be given to the Strategic Policing Requirement issued by the Home Secretary. Personal pledges are contained throughout the plan which the Commissioner included in direct response to what members of the public has told him is important to them.

2.2 Cambridgeshire Police and Crime Plan objectives are to:

1. Maintain local police performance
2. Deliver policing within the available budget
3. Continue to tackle crime and disorder
4. Keeping people safe
5. Maintaining the resilience of protective services

- 2.3 The Police and Crime Plan also has regard to crime and disorder reduction priorities set by partners, and the strategic direction of the criminal justice system. The Commissioner must consult the Chief Constable in preparing any changes to the plan before it is sent to the Police and Crime Panel for consideration of any additional recommendations.

3. Revenue Funding (Income from which spending is financed)

- 3.1 Police and crime spending, the Net Budget Requirement (NBR) is financed from two main sources, government grant (Police Grant) and council tax. The NBR includes specific government grants and locally generated income.

Police Grant

- 3.2 2014/15 will be the fourth year of the 4 year Spending Review 2010 (SR10). When published in October 2010 it set out reductions in public spending which for policing amounted to real term reductions in grant funding of 20% over the four year period, with -6%, -7% -4% and -3% respectively being quoted for each of the four years.
- 3.3 The total grant reduction was estimated at £17m for the 4 year period.
- 3.4 The Plan attached at Appendix 1 has been put together by the Office of the Police and Crime Commissioner (OPCC) in consultation with the Chief Constable.
- 3.5 The settlement received for 2014/15 demonstrates that grant will reduce by 4.8%, this is more pessimistic than the original proposal having lost a further £1.2m more than expected, with 2015/16 indicative figures giving a further 4% decrease. Assumptions have been made, taking account of government communications, that grant will continue to be reduced for 2016/17 and 2017/18 but by a smaller amount than in previous years.
- 3.6 Cambridgeshire Police has always believed it is disadvantaged by the current funding mechanism and has pressed for a fairer share of the funding 'cake' which recognises local population growth and diversity. The organisation loses approximately £2m year on year to the funding floor. This is a mechanism devised by government which equalises out the funding formula across the police service so that no one Force loses or gains too much as a result of applying the formula. So some Forces will gain more as a result of the equalisation process and some, like Cambridgeshire, will lose. This has been going on now for nearly 10 years and the government has said that it will look again at how fair this process is.

Specific Grants

3.7 The Commissioner receives a number of other ring fenced grants. These Specific grants have strict controls in place and it must be demonstrated that the money has been used for the correct purpose as outlined below:-

3.7.1 The Police and Social Responsibility Act 2011 gave Commissioners the powers to make crime and disorder reduction grants, Cambridgeshire received £928k for distribution in 2013/14. For 2014/15 the crime and disorder grants will be rolled into the main police grant and therefore the Commissioner will be free to decide on the use and the totality of these grants going forward.

3.7.2 The Policing Minister has recently announced that Commissioners will receive funding to commission services for victims. £300k will be received during 2013/14 with a further £435k due to be received in 2014/15 and a further £875k as an indicative amount for 2015/16. The funding for 2013/14 has been provided to enable PCCs to:

- i) build the capacity and capability of potential providers of services for victims (including potential providers of restorative justice services) from the Voluntary Community and Social Enterprise (VCSE) sector;
 - ii) commission restorative justice services if capacity and capability are sufficient in relation to these services;
 - iii) prepare for local commissioning.
- Work has been undertaken with partners to understand the existing landscape of support provision for victims and to create a 'Strategic vision of support for victims in Cambridgeshire'. The subsequent action plan will enable partners to drive this work forward to improve the support received by victims, both from services and within their communities. The vision has informed the 'Commissioner's Victim Referral and Support Service Commissioning Intentions'. These intentions set out Cambridgeshire's aim to work with the Ministry of Justice to pilot the local commissioning of victim referral through a local Victim Hub. This pilot Hub, which is fully supported by both partners, and colleagues from the Eastern Region, plans to manage referrals for victims who have both reported the crime and those who have not.
 - In Cambridgeshire all commissioning of support services will be driven by a strong foundation of partnership working and evidence. The Victim and Offender Needs Assessment and a Victims' service and pathway mapping event will be further bolstered by planned engagement with victims to ensure a 'victim-centric' approach is taken and research into key victim groups and experiences.
 - Nationally the Ministry of Justice will commission services which provide support for: victims of trafficking, families bereaved by homicide, victims of rape through partial funding of Rape Support Centres and witnesses through a Court-based Witness Service. National helplines and some services for victims of sexual and domestic violence will also be commissioned.

Charging for Services

- 3.8 Powers exist to charge for external use of police services on a break-even basis. The application of charges can be problematic due to the nature of some events, such as football matches, which can have an impact in the wider community. If all costs were applied, an event could become unviable, disadvantaging smaller community-based events. The Commissioner has an approved Charging Policy, updated yearly to reflect changes, which is compliant with the guidance and consistent with the National Guidelines on Charging for Police Services.
- The Tour de France has a stage that will start in Cambridgeshire in summer 2014. It is looking likely that we may not be able to charge for our additional policing requirement as a result of this event but talks are continuing to understand what recompense maybe available for the policing of this event.

Precept (Council Tax)

- 3.9 As part of Spending Review 2010 (SR10) the Government offered Police Authorities a council tax freeze grant equivalent to a 2.5% increase in council tax for 2011/12. This was accepted by the Cambridgeshire Police Authority and the grant was payable for 4 years ceasing at the end of 2014/15. This has now been rolled into main grant from 2015/16 onwards.
- 3.10 Careful consideration has been given to the pros and cons of accepting the 2014/15 Council Tax freeze grant. The council tax freeze grant for 2014/15 is equivalent to the sum raised by a 0.65% increase in council tax. If the Commissioner was to accept a freeze grant for 2014/15 this would leave a further £0.6m deficit to fund. Cambridgeshire's spending on policing is one of the lowest in the country; a further decrease in budget could have a profound impact on the performance of policing in Cambridgeshire. However it is recognised that accepting the freeze grant would reduce costs for local residents, when the impacts of the current economic climate are being felt. During the election campaign the Commissioner had stated he would ensure value for money.
- 3.11 In order to protect frontline policing, the Commissioner has therefore rejected the council tax freeze grant and increased the council tax precept by 1.92% from £177.93 per annum to £181.35, an additional 7 pence per week at band D. It is noted that "referendum ceiling" was set at 2%.
- 3.12 In December the Commissioner announced to the media he would be proposing a modest increase in precept to protect the frontline. This was informed by what he has been told throughout the year by members of the public who want to see the number of frontline officers protected. The Commissioner believes that the 1.92% increase balances the public's expectations of police visibility with the affordability of a below inflation precept rise.
- 3.13 News of the Commissioner's proposal was covered by radio and print media across Cambridgeshire and tweeted (and subsequently re-tweeted) to a total

of around 5,500 people. The level of correspondence directly to the OPCC specifically about the proposal has been exceptionally low (two emails/ letters). However, during the past year the Commissioner has received numerous emails, letters and comments from members of the public stating that they want to see officers and PCSOs on the streets and action from the police on a number of priority areas already identified in the Police and Crime Plan.

- 3.14 Under the Localism Act 2011, the Government sets a limit (the excessive amount) on council tax increases. For policing it is set by the Communities Secretary in discussion with the Home Secretary. The limit was set at 2% for police authorities for 2014/15.
- 3.15 The Commissioner's proposed precept (and budget) were presented to the Police and Crime Panel (PCP) on 5th February 2014. Legislation allows for the proposed precept to be vetoed by the Panel. In the event that this is the case a revised proposal would have to be prepared. The Panel accepted the proposed increase for 2014/15.

Localisation of Council Tax Benefits - New Scheme 2013

- 3.16 The Government moved to nationally reduce the cost of council tax benefit in 2013. In simple terms, council tax benefit has been replaced by council tax reductions which have had the effect of reducing the council tax base which in turn reduces the council tax we receive in precept. A specific Government Grant was paid in 2013 to bridge the gap for precepting bodies and this will continue to be received going forward.
- 3.17 The Council Tax Base is a calculation of the number of properties on which council tax can be levied (adjusted for discounts and other factors). For the reasons set out above the tax base reduced in 2013/14 and the reduction has been maintained albeit that it will go up by the number of new houses occupied during the year. Revised forecasts for the council tax base include a 1.5% increase for anticipated housing development; this was available from district councils in January 2014, final figures for the collection fund have now been factored into the final budget for 2014/15.

4. Revenue Budget Planning

Budget Strategy

- 4.1 Underpinning the decision making process is a prudent and robust approach to the stewardship and management of financial resources by both the Commissioner and the Chief Constable. This is reflected in the service and financial planning process, and in the management of borrowings, investments and reserves.
- 4.2 The Commissioner has in place governance procedures to ensure full and robust scrutiny of the Chief Constable's finances. Financial Regulations and

Force Finance Instructions set out the frame work for financial decision making.

Key Features of the Budget Process

- 4.3 One of the key functions of the MTFP is to develop a series of financial projections to determine the achievability and sustainability of the Police and Crime Plan which is required to deliver the priorities as set out in Section 2 above. The financial projections are based around the forecast requirements for revenue expenditure, both directly and arising from capital investment.
- 4.4 The process for determining the forward levels of net revenue expenditure for each financial year covered by the MTFP and working with budget holders is to:-
- Use the current financial year as a base position and inflate, as appropriate, to take account of pay and price changes and full year costs of previous year growth items
 - Add any prior year on-going costs previously funded from reserves
 - Add known unavoidable spending and contract pressures
 - Add in-year implications of implementing corporate objective priorities (and full year costs thereafter)
 - Add revenue implications of new capital investment.
 - Review and set fees/charges to reflect a policy of maximising income
 - Factor in the implications for the loss of grant funding in real terms over the life of the plan
 - Factor in the implications of the government's advice on council tax levels
- 4.5 The budget build process for the Chief Constable is considered and discussed at
- Force Executive Meetings
 - Financial Planning Days
 - Change Management Board which oversees the capital programme
 - Joint reviews by heads of service and finance team
 - Peer challenge at Force Executive Board
- and is scrutinised and challenged by the Commissioner at
- Finance Sub Group
 - Business Co-ordination Board
- 4.6 The procedure for evaluating revenue and capital service pressure bids that arise either at budget time or in year due to changes in focus from the Home Office is based on an assessment which takes into account the following key factors.

- Clear identification of the links to the Constabulary's aims and objectives to which the bid relates;
- A measure of a scheme's benefits in the form of outcome targets;
- Consideration of the financial impact of the expenditure i.e. one year funding or recurring financial consequences over a three year period;
- Consideration of implications for other service areas.

Spending Pressures Affecting 2014/15

- 4.7 Police Grant – reduction expected over the next 4 years of up to 12.5% with 4.8% for 2014/15, 1.5% worse than expected.
- 4.8 Home Office top-slicing of the Police Grant has led to the increased reduction of the grant to police forces, with the top-slice being used for the development of the Independent Police Complaints Commissioner (IPCC) and the innovation fund in the main. Cambridgeshire had a joint bid into the innovation fund with Hertfordshire and Bedfordshire agreed in late January. The bid focused on our Metis programme and the BCH collaboration programme.
- 4.9 Implementation of Winsor 2 recommendations on police pay will see the need for additional expenditure over the next couple of years on officer pay. It should be noted that not all Winsor recommendations have been implemented by the Home Office.
- 4.10 Employers' Contributions to Pensions (Staff) – An increase in the cost of employer contributions for police staff pensions of 1% per annum, has been built into the plan over the next 3 years to take account of the actuarial valuation of the Fund which was concluded in January 2014.

Additional Future Pressures

- 4.11 National Insurance Contributions – The effect of the Government's "Ending of Contracted Out National Insurance" will place £1.5m to £2m additional cost onto our employers national insurance contributions from 2016/17 onwards. This is a significant contributory factor to balancing the budget in future years.

Delivering a Balanced Budget for 2014/15

- 4.12 The MTFP 2014/15 identifies further budget gaps totalling £12m over the next four years, shown in Table One below:-

Table One

	Budget	Forecast	Forecast	Forecast
	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000
NRE	131,056	134,089	138,595	142,179
FINANCING	131,056	129,969	129,367	130,020
GAP	0	-4,120	-9,228	-12,160
		-4,120	-5,108	-2,932

4.13 Reductions of £4.9m have been identified to produce the balanced the budget for 2014/15.

- Collaboration – Joint Protective Services have delivered a 5% 2013/14 base reduction saving of £809k.
- Police Staff are part of a continual drive for efficiency and effectiveness and have seen numbers reduce over the 2013/14 financial year.
- A freeze on recruitment of PCSOs, while a review of their functions is undertaken has seen the numbers decline due to natural wastage. In agreement with the OPCC a decision has been reached to enable the planning of budgets for 2014/15 and the Chief Constable will not seek to make any additional changes to the 150 PCSO numbers as at November 2013.
- Procurement of supplies and services continue to be scrutinised and savings produced.

We are therefore confident that a balanced budget for 2014/15 is achievable although it has been a challenging process, made even more so by the late Home Office announcements of further cuts to the police grant.

4.14 Work to balance the budget for the period 2015 to 2018 is focused on:

- a) New collaboration initiatives with Hertfordshire and Bedfordshire and consideration of other potential 'blue light' partners
- b) Programme Metis – this is the technology transformation programme which will improve the flow of information within the force and across organisations, enabling officers to spend more time out in their communities.

- 4.15 Over the last 3 years budget savings have been achieved in advance of the year-end and these have been transferred to the Reserves either to be used for specific purposes or as we continue to need to find savings going forward to assist with future budget gaps.

The Policing Front-Line

- 4.16 An additional 10 constables were budgeted and recruited for in 2013/14 and this number is being maintained into 2014/15 and is now built into the base budget. Transforming the way the service, delivered through our IT transformation programme Metis, will enable us in future years to help maintain the service to the public as budgets reduce by allowing more operational hours to be spent out on the street and not sitting in police stations completing mandatory paperwork.

Joint Protective Services - Bedfordshire, Cambridgeshire and Hertfordshire

- 4.17 Joint Protective Services comprises departments such as Major Crime, Firearms, Road Policing and Dogs. 13% or £17,031k of Cambridgeshire's total budget is spent on JPS. JPS was first established in 2012 with Major Crime being one of the first services collaborated and includes Dogs, Roads Policing Firearms and Scientific support services.

Other Collaborative Initiatives

- 4.18 Other collaborative initiatives include the National Police Air Service, custody arrangements at King Lynn Pic and Eastern Region Serious and Organised Unit. These account for 2% of Cambridgeshire's budget (£2,415k).

OPCC Budget

- 4.19 The Commissioner made a public commitment last year to reduce the running costs of his office from April 2013 by 10% compared to what the Police Authority had previously cost. The Commissioner set the budget for his office for 2013/14 at £866,000 which was an 11% reduction. 2014/15 budget is set at £1,224k.
- 4.20 The Police and Crime Plan is being amended to reflect that the work of the Commissioner and the OPCC is changing and expanding. The Commissioner is driving an integrated offender strategy, and as set out above he will become responsible for commissioning services in support of victims which he intends to do through an integrated victim management approach.
- 4.21 To assist him in tackling this wider agenda he has agreed with the Chief Constable to retain a number of posts with enhanced responsibilities, whilst transferring the remaining staff to the Chief Constable under Transfer Order 2 arrangements. The budget for the retained staff will also be retained by the PCC.

4.22 In addition, with his aim of personally championing the views of the people of Cambridgeshire and Peterborough, he has already appointed an Outreach Worker for Peterborough and Fenland which has been extremely valuable in obtaining the views of the public and highlighting issues for action to the Commissioner. In recognition of the value the outreach work has already achieved in the north of the area, a further Outreach post for Southern Cambridgeshire has been built into the Commissioner's 2014/15 budget.

5. Capital Strategy and Budgeting

5.1 Capital investment proposals are appraised in a structured and consistent manner so as to ascertain whether the plans are affordable, prudent and sustainable and that they contribute to the delivery of the Police and Crime Plan priorities.

5.2 There are limited resources available to finance capital spending. They include:-

- Capital Grants – from the Home Office
- Capital Receipts – from the sale of land or property
- Capital Reserves – when supported by cash in the medium term cash flow forecast
- RCCO – revenue contribution to capital outlay
- Borrowing – only for significant long term assets, approved by the Commissioner and in accordance with the Prudential Code for Capital Finance.

5.3 The Commissioner, since his arrival in November 2012, has stated his desire to see no more public sector borrowing within the organisation. This aim is currently being achieved by a re-financing of the balance sheet to reduce the amount of minimum revenue provision we have to set aside for the borrowing requirement and the inclusion of RCCO in the MTFP. The capital programme plan currently contains no requirement to borrow for any future schemes.

5.4 The Capital Programme Plan is updated on an annual rolling review basis and was approved by the Commissioner at this January Business Co-ordination Board meeting.

6. Reserves

6.1 The Commissioner holds a general reserve, primarily as a contingency for the cost of major police operations. This reserve currently totals £9.2m or 7%. As an operational contingency it is prudent to hold at least 6% of the total budget as a general reserve.

6.2 There are also a number of earmarked reserves, primarily to deal with insurance, collaboration and capital expenditure.

- 6.3 As the Commissioner has committed to not increasing our borrowing requirement any reserves that are spent must be supported through the cash-flow report to ensure we have the cash at bank to make the purchase. At present we have a running cash flow of £13m and therefore any spend above this level would result in the need to increase borrowing.
- 6.4 Reserves can only be spent once, so should be used to finance one-off spending (e.g. capital schemes) or to finance revenue spending pending savings coming on stream.

7. Conclusion

- 7.1 The Commissioner has worked with the Chief Constable to consider how to make the finances for Cambridgeshire policing sustainable in the future. This has been made particularly hard since the announcement of indicative grant figures for 2014 and 2015 which are significantly worse than originally expected. The over-riding objective is to protect the front-line service to the public and this is being achieved with constable numbers being maintained for 2014/15.

Office of the Police and Crime Commissioner Cambridgeshire – Medium Term Financial Plan

	Revised Budget 2013/14 £'000	Budget 2014/15 £'000	Forecast 2015/16 £'000	Forecast 2016/17 £'000	Forecast 2017/18 £'000
Local Policing Expenditure					
Police Officer Pay	51,687	51,885	53,242	55,846	57,412
Police Staff	5,837	5,429	5,602	5,793	5,966
PCSO Pay & Allowances	5,762	4,876	4,933	5,019	5,170
Total Local Policing Expenditure	63,286	62,190	63,777	66,658	68,547
Business Support Expenditure					
Police Officer Pay	8,497	8,197	8,374	8,675	8,914
Police Staff	19,001	18,071	18,364	18,969	19,538
Goods and Services	20,347	19,541	19,690	20,268	20,875
Total Business Support Expenditure	47,845	45,809	46,428	47,912	49,327
Collaboration Expenditure					
BCH	16,411	17,031	17,372	17,999	18,213
ERSOU	962	1,029	1,050	1,087	1,120
Helicopter	470	480	490	504	514
Kings Lynn PIC	688	906	924	952	971
Total Collaboration Expenditure	18,531	19,446	19,835	20,543	20,818
Office of the Police and Crime Commissioner	866	1,224	1,249	1,279	1,313
Community Safety / Crime Reduction Grants (OPCC)	928	1,341	1,347	1,347	1,347
Victim and Restorative justice Grant	300	435	875	0	0
Capital Financing Costs	2,669	2,204	2,533	2,812	2,781
GROSS REVENUE EXPENDITURE	134,425	132,649	136,044	140,550	144,134
Total Income	-1,462	-1,755	-1,955	-1,955	-1,955
NET REVENUE EXPENDITURE	132,963	130,894	134,089	138,595	142,179
Contributions +To / - From Reserves	-155	163	0	0	0
NET BUDGET REQUIREMENT (NBR)	132,808	131,056	134,089	138,595	142,179
Budget -Decrease / +Increase Year on Year		98.7%	2.3%	3.4%	2.6%
Financed by:					
Formula Grant	81,139	77,273	74,300	72,886	71,792
Victim and Restorative Justice Grant	300	435	875	0	0
Precept	45,544	47,190	48,837	50,541	52,305
Council Tax Freeze Grant	1,173	1,173	1,135	1,118	1,101
Council Tax Support Grant	4,807	4,822	4,822	4,822	4,822
Collection Fund - Deficit / +Surplus	-155	163	0	0	0
TOTAL FINANCING	132,808	131,056	129,969	129,367	130,020
BUDGET GAP	0	0	-4,120	-9,228	-12,160
			-4,120	-5,108	-2,932
Band D Council Tax £	£177.93	£181.35	£184.90	£188.53	£192.22
KEY ASSUMPTIONS INCLUDED IN THE FORECASTS ABOVE					
Council Tax base increases actual	1.10%	1.50%			
Council Tax base increases estimated			1.50%	1.50%	1.50%
Council Tax	1.96%	1.92%	1.96%	1.96%	1.96%
Tax base	255,963	260,217	264,120	268,082	272,103
Grant increase / Decrease (-)	-1.95%	-4.80%	-4.00%	-2.00%	-1.50%
Police officer pay rise (w.e.f 01/09)	1.00%	1.00%	1.00%	1.58%	2.00%
Police staff pay rise (w.e.f. 01/9)	1.00%	1.00%	1.00%	1.58%	2.00%
Increment increase	0.70%	0.70%	1.00%	1.00%	1.00%
General Inflation	2.50%	2.00%	2.00%	2.00%	2.00%
Fuel & Energy Inflation	4.00%	5.00%	5.00%	5.00%	5.00%

* Recast figures to show services to be collaborated i.e. custody, in Business Support and not Local Policing