



To: Joint Audit Committee

From: Interim Chief Finance Officer, Office of the Police and Crime Commissioner

Date: 27 September 2017

BUDGET 2018/19 AND MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2021/22

1. Introduction

- 1.1 This report discusses the initial parameters that will be used in setting the 2018/19 budget and the Medium Term Financial Strategy (MTFS) 2019/20 to 2021/22 for the Police and Crime Commissioner (the “Commissioner”).
- 1.2 The capital and revenue reported outturn is provisional and subject to the audit of the 2016/17 Annual Statement of Accounts.

2. Recommendation

- 2.1 The Committee is asked to note the issues in relation to the budget and MTFS set out in this report, primarily:
 - Demand Management issues
 - Funding
 - Budget pressures

3. Medium Term Financial Strategy

- 3.1 The MTFS for the period 2017/18 to 2020/21 is shown in Appendix 1 and was approved by the Business Co-ordination Board in January 2017. The MTFS represents the financial plan required to deliver the objectives and outcomes of the Commissioner as set out in the Police and Crime Plan.
- 3.2 The Police and Crime Plan has four pillars to its delivery, Offenders, Victims, Community and Transformation with a number of objectives under these pillars. The

fundamentals of the Police and Crime Plan is underpinned by the delivery of a transformation programme that will enable the Commissioner and the Constabulary to better manage the demands on the service whilst improving the quality of service for victims and the wider community.

- 3.3 The Police and Crime Plan is delivered through the Force Delivery Plan, which sets out the Constabulary's aims and objectives over the same period and detailed action plans under each of the four pillars.
- 3.3 The total Net Revenue Budget for 2017/18 to deliver these objectives is £131m (£126.6m Force budget, £1.1m OPCC budget, £2.2m MOJ Victims and Community Safety grants and £1.1m capital financing)
- 3.3 The new budget and MTFs for the period 2018/19 to 2021/22 will ensure the continual delivery of these objectives and the Commissioners and Chief Constables transformation programme.

4. Current MTFs 2017/18 to 2020/21

- 4.1 The current MTFs has the 2017/18 budget balanced subject to the work currently being undertaken on the local policing review, but a funding gap over the medium term of £8.8m, with a detailed savings plan in place demonstrating how this gap would be met over the course of the MTFs period, as summarised in **Table 1** below. It should be noted that the savings plans are deliberately targeting a greater level of saving to ensure the gap is met.

Table 1 – Existing Savings Plan 2018/19 to 2020/21

Saving	2018/19 – 2020/21 £'000
– Supplies and Services	2,000
- Estates	2,003
- Local Policing Review	3,000
Collaboration Units	3,284
TOTAL	10,287

- 4.2 The current MTFs contains a number of assumptions, that if changed will impact on the new MTFs.
- A council Tax rise of 2% in each year
 - Council Tax Base increases of 1.7%, 1.8% and 2% in 2018/19, 2019/20 and 2020/21 respectively.

- Government grant reduction of 1% in 2018/19 and 1.28% in the subsequent two years.
- Staff pay inflation of 1% and general inflation of 1%.
- Savings as detailed in table 1 above.

5. New 2018/19 – 2021/22 MTFS

Police and Crime Plan priorities for delivery 2018/19

5.1 The following are the headline priorities for delivery in 2018/19:

- Victims - Consolidation of victim and witness hub, commissioning intentions for victims grant, continued focus on vulnerability.
- Offenders – mainstreaming of PTF work, working with partners to deal with causes of crime, approach to crime and disorder grants.
- Communities – embedding local policing review.
- Transformation – continuing to delivery of BCH and 7 Forces collaboration, implementing the outcomes of the Fire Governance Local Business Case.

Risks and Issues

5.2 The current MTFS will be rolled forward for a further year to 2021/22 and will, assuming all the above assumptions remain the same, show a further funding gap that will need to be met from additional savings.

Funding

5.3 Council Tax – As stated above the current assumption within the MTFS is a year on year Council Tax increase of 2%, which is the level to which council tax can be increased before a referendum is required. If the Government changed the rules, or the Commissioner decided to undertake an above 2% rise referendum, each additional 1% increase will generate approximately £0.5m income.

5.4 Council Tax Base – The council tax base increase is based on information from the billing authorities on housing projections and plans over the MTFS period. This is an extremely hard projection to get accurate due to a number of factors that affect house building. A 0.5% reduction in each year from the assumptions built in would result in a loss of council tax income of £1.1m.

5.5 Government Funding – Since the General Election in June 2017 the Government has stopped its planned review of the Police Funding Formula. The impact of this funding review on Cambridgeshire was unknown but reductions in the formula grant were built into the MTFS. If the Cambridgeshire funding settlement moved to a position of a cash standstill position, i.e. no increase or decrease, this would improve the MTFS by £0.75m in 2018/19 and £5.3m over the MTFS period.

Offset against this is the current Government methodology for allocating grants via the floors and ceilings mechanism. Through this Cambridgeshire loses approximately £4m year on year to the funding floor, the mechanism devised by government which equalises out the funding formula across the police service so no one force loses or gains too much as a result of applying the formula. Therefore, some forces gain more as a result of the equalisation process and some forces, like Cambridgeshire, lose. This has been continuing for nearly 13 years.

Pressures

- 5.6 Demand Management – Cambridgeshire is a growing County with the population growth projected to continue into future years. Whilst this brings in additional resources, primarily around increased Council Tax it does also bring about service and spending pressures both currently and into the future. The Offender pillar of the Police and Crime Plan has the overall aim, working with partners, to reduce re-offending and thereby reduce demand pressures on police service. In addition the Transformation pillar is aiming to understand the everyday demands on the service to a greater extent in order to drive through improved operational efficiencies and effectiveness

Demand needs to be managed in two aspects, short term and immediate demand pressures and long-term demand. Factors effecting immediate demand pressures are highlighted in regular performance updates to Business Co-ordination Board.

The long-term demand is being driven by the Combined Authorities plans for economic growth driving population growth and demand.

- 5.7 Inflation – The current MTFS has 1% inflation built into it for both pay and non-pay inflation. There is increasing national pressure on the Government to award an above 1% pay rise to key public sector workers, including the police. An additional 1% pay award will cost approximately £1m. At the same time inflation is increasing with the latest CPI being 2.6%. Every additional 1% inflation equates to an additional £200k being required.
- 5.8 Budget Pressures – As well as inflationary pressures there are additional cost pressures coming through, including:
- Meeting HMIC expectations,
 - College of Policing professionalism of policing training,
 - College of Policing quality standards – e.g. vetting,
 - ICT investments – there is a need for increased ICT investment to generate operational efficiencies as well as equipping the force with new technologies to tackle the changing face of crime.
- 5.9 BCH and 7 Force Collaboration – The current MTFS contains savings for the BCH collaborated units of £3.284m in total for which there is a risk of non-delivery. The greatest risks are in relation to HR with £584k savings over the MTFS period and ICT with £1.223m. The 7 forces collaboration was newly established in 2016/17 with a 7 force procurement unit in place. The MTFS currently has a savings target of £2m

through improved procurement but it is important that other opportunities are explored for the 7 force collaboration.

- 5.10 Changing role of the Police and Crime Commissioner – The PCC is currently out to consultation on a proposal to become the Police, Fire and Crime Commissioner by taking over the governance of the Cambridgeshire Fire and Rescue Service. Approval for this would increase the likelihood of savings through the estates consolidation programme and will result, in future years, for the PFCC to have a separate MTFS for the Fire and Rescue Service.
- 5.11 *Athena* – Athena is a new IT system that is a joint project across nine forces and will provide an integrated operational policing system, effectively joining up a myriad of systems into one. It was originally due to be implemented in 2015/16 but has suffered a number of delays. It is now scheduled to be implemented in May 2018 and current expectation is that this will be achieved, with plans in place for the implementation, roll out and staff training. A consequence of the revised implementation date is the need to delay the implementation of the new HR ERP system, ABLE, as the two systems will work closely together and therefore the implementation of ABLE has been put back to October 2018 to allow for Athena's implementation to take place first. The impact of this is a delay within HR to some of the benefits realisation following the BCH collaboration.

6. Next Steps

- 6.1 Detailed work on the MTFS will take place during the late summer and autumn with a further update reporting to BCB in November 2017. The key date for the MTFS is the Chancellors budget statement, which in 2017 for the first time, will be in the late Autumn, replacing the previous Autumn Statement. This will set out what the Government's funding priorities are for the coming year and beyond and will be the start of the process for the 2018/19 funding and Council Tax changes.

7. Recommendation

- 7.1 The Committee is asked to note the issues in relation to the budget and MTFS set out in this report, primarily:
- Demand Management issues
 - Funding
 - Budget pressures

MEDIUM TERM FINANCIAL STRATEGY 2017/18 – 2020/21

APPENDIX 1

	Forecast 2017/18 £'000	Forecast 2018/19 £'000	Forecast 2019/20 £'000	Forecast 2020/21 £'000
Local Policing Expenditure				
Police Officer Pay	44,395	45,105	45,827	46,560
Police Officer Overtime	1,862	1,900	1,900	1,900
Police Pensions	8,965	9,109	10,169	10,332
Police Staff	12,943	13,150	13,624	14,114
Police Staff Overtime	151	152	157	162
PCSO Pay & Allowances	4,965	5,045	5,226	5,414
Total Local Policing Expenditure	73,282	74,461	76,903	78,482
Business Support Expenditure				
Police Officer Pay	1,042	1,723	1,757	1,792
Police Officer Overtime	0	0	0	0
Police Pensions	2,681	2,724	2,767	2,812
Police Staff	2,216	3,665	3,812	3,949
Police Staff Overtime	0	0	0	0
Training	0	0	0	0
Other Employee Expenses	4	4	5	5
Premises Costs	3,752	3,865	3,981	4,100
Transport Costs	941	969	998	1,028
Supplies & Services	4,792	4,850	4,947	5,046
<i>Additional budget items</i>		780	630	645
<i>Savings /contingency</i>				
<i>Vacancy Factor 1% = £739;</i>				
Agency & Hosted Services	1,246	1,271	1,296	1,322
Total Business Support Expenditure	16,675	19,851	20,193	20,699
Regional Change team	75	76	77	78
Business Support	282	287	291	296
Athena - AMO	130	133	135	137
Collaboration Team - Change	1,178	800	600	600
Collaboration Team - Athena	270	274	279	283
Armed Policing	2,357	2,395	2,433	2,472
CTC	0	0	0	0
Dogs Unit	736	747	759	771
Major Crime	3,062	3,111	3,161	3,211
Operational Planning	320	326	331	336
Procurement	290	295	300	304
PS Command	194	197	200	203
PSD	946	961	977	992
Roads Policing Unit	4,602	4,675	4,750	4,826
Scientific Services	2,416	2,454	2,494	2,534
CT and DE	632	642	653	663
ERSOU	2,297	2,334	2,371	2,409
Helicopter	437	446	455	464
Kings Lynn PIC	922	940	959	978
Total Collaboration Expenditure	21,147	21,094	21,224	21,560
New Collaboration				
IMD	783	795	808	821
ICT	7,210	7,325	7,442	7,561
HR/L&D	4,057	4,122	4,188	4,255
Force Resilience	121	123	125	127
Firearms Licensing	192	195	198	202
Criminal Justice	915	930	945	960
Custody	3,161	3,212	3,263	3,315
CCJB	34	34	35	36
Information Assurance	66	67	68	69
Public Contact	117	119	120	122
	16,655	16,922	17,192	17,467
OPCC				
Police Staff & Commissioner	893	907	922	937
Other Employee Expenses	1	1	1	1
Premises Costs	0	0	0	0
Transport Costs	24	24	25	25
Supplies & Services	196	199	202	204
Total OPCC Expenditure	1,114	1,131	1,149	1,167
Police National ICT Company Subscription	60	60	60	60
Community Safety / Crime Reduction Grants	1,276	1,276	1,276	1,276
MoJ Victims Grant	986	986	986	986
Capital Financing Costs				
Revenue Contribution to Capital	0	0	1,500	1,500
Interest	413	684	684	684
MRP	774	1,077	1,048	1,020
Total Capital Financing Costs	1,187	1,761	3,232	3,204
GROSS REVENUE EXPENDITURE	132,381	137,542	142,216	144,902
Total Income	-1,421	-1,421	-1,421	-1,421
NET REVENUE EXPENDITURE	130,960	136,121	140,794	143,480
Contributions +To /- From Reserves	0	0	0	0
NET BUDGET REQUIREMENT (NBR)	130,960	136,121	140,794	143,480
Budget -Decrease / +Increase Year on Year	0.3%	3.9%	3.4%	1.9%
Financed by:				
Formula Grant	78,411	77,408	76,417	75,439
Actual Grant Reductions	-1.28%	-1.28%	-1.28%	-1.28%
MoJ Victims Grant	986	986	986	986
Precept	51,388	53,459	55,613	58,024
Legacy Council Tax Grants	0	0	0	0
Council Tax Freeze Grant New				
Council Tax Support Grant				
Collection Fund - Deficit / +Surplus	174	200	200	200
TOTAL FINANCING	130,960	132,052	133,216	134,649
BUDGET GAP	0	-4,069	-7,578	-8,831
	0	-4,069	-3,510	-1,253
Band D Council Tax £	£186.75	£190.47	£194.26	£198.13