



To: Business Coordination Board

From: Chief Finance Officer

Date: 01 November 2018

Medium Term Financial Strategy 2019/20 to 2022/23

1. Purpose

1.1 The purpose of this report is to present the initial draft of the Medium Term Financial Strategy (MTFS) to the Business Coordination Board (the “Board”).

2. Recommendation

2.1 The Board is recommended to note the draft of the MTFS.

3. Background

3.1 The budget setting process is an iterative process throughout the year. The budget setting process continues in earnest from September when the known factors are collated and the MTFS for the next funding period is developed.

3.2 There is significant uncertainty around the settlement figures for the next financial year and the planned spending review period. In addition, the uncertainty around the UK's exit from the European Union is creating broader economic uncertainty, which could lead to delays in the final settlement. The MTFS will have to provide flexibility to respond to any variations that may present themselves in future financial years.

3.2 At this stage of the process many figures are still unknown but we are aware of some significant challenges to the 2019/20 budget. Therefore, it is highly likely that there will be a requirement to use reserves to achieve a balanced budget.

3.3 The Government usually announce police funding in December. However there is speculation that this may slip into January 2019 which will make finalising the MTFS challenging. If the funding does not follow inflation the impact on Cambridgeshire will be significant.

3.4 The key challenges for 2019/20 are pensions, Policing Education Qualification Framework (PEQF), digitisation of policing and insurance.

- 3.5 The valuation of the unfunded Police pension scheme was completed in 2016. The outcomes of this review have been recently communicated to all affected parties. The result of a technical change to the way the scheme is valued will result in an increase to employers' contributions for Cambridgeshire. At this stage the gap is expected to be approximately £4.3m which is the equivalent of about 120 officers. However, the projected gap is after applying treasury funding, which is still to be confirmed.
- 3.6 PEQF costs are currently unknown but we anticipate an impact on deployment and effectiveness for at least three years whilst Police Officers undertake their University training.
- 3.7 Digitisation of policing relates to National programmes that are being delivered over the term of the MTFS. At this stage the funding arrangements around the programme is unclear but we have to absorb the costs of implementation whilst not necessarily gaining the benefits or savings from this technology immediately.
- 3.8 The forces insurance is procured through a collaborative arrangement with a number of other forces. The most recent tendering exercise has resulted in the premium increasing significantly. This is related to motor insurance where the competition is limited. This increase is expected in 2019/20 and will cost the force an additional £0.5m.
- 3.9 The Police and Crime Commissioner has committed to supporting frontline officers and therefore savings will have to come from other areas of the business. Cambridgeshire have already made savings of £28.65m since 2010 and therefore some tough decisions will have to be made in order to achieve a balanced budget.

4. Medium Term Financial Strategy

- 4.1 The draft MTFS can be found at Appendix 1.

5. Recommendation

- 5.1 The Board is recommended note the draft of the MTFS.

BIBLIOGRAPHY

Source Document(s)	Draft Medium Term Financial Strategy 2019/20 to 2022/23
Contact Officer(s)	Matthew Warren, Chief Finance Officer, OPCC