



Nottinghamshire

POLICE & CRIME COMMISSIONER

Medium Term Financial Strategy

2017-18 to 2020-21

January 2017

Commissioners

Medium Term Financial Strategy

Introduction

This document is part of the overall financial framework of the Police and Crime Commissioner. It builds on the budget proposed for 2017-18 and incorporates plans to meet changes in available financing with the need to meet current and future commitments.

Within the current economic climate the Government has made significant reductions in public sector finances.

The previous Comprehensive Spending Review (CSR) Nottinghamshire needed to deliver £42million in efficiencies in order to balance the budget and improve performance. Continuous achievement of these substantial cuts is proved to be more difficult as time progresses and 2014-15 and 2015-16 resulted in the efficiency targets not being achieved. The latest CSR announcement is better than had been anticipated, but still leaves much to be done to continue delivering a service within a balanced budget.

Whilst the cuts to grant funding are relatively small, costs continue to increase and with salary increases the pressure to deliver savings continues. For 2017-18 Nottinghamshire faces some significant pressures from changes in employer contributions for National Insurance and making up the budget gap from 2015-16, where reserves were used to bridge a significant gap in achieving a balanced budget.

The settlement announcement covering next year and indicating funding over this CSR, includes assumptions in relation to precept increases and council tax base increases. The amounts that these increase by will be mirrored by a reduction in main grant. This is defined as being no reduction in real terms. However, in cash terms grant will reduce as the total amount available for main police grant is being reduced to finance Top Sliced expenditure (e.g. NPAS, NICC and Counter Terrorism) and Home Office new funding initiatives such as Police Transformation Fund.

A funding formula review had been started with the intention to bring a simplified approach to police funding in place for April 2016. However, this has now been delayed and will not be in place before April 2018.

Under the existing funding formula Nottinghamshire continues to lose over £10m per year. As the formula itself has never been fully implemented. Over the past 10 years this amounts to over £100m+ that the Home Office formula calculates should have come to Nottinghamshire, but to protect those that would lose significantly has been used to protect over funded forces from significant loss. Therefore, any new formula needs to be clear from the onset as to when it would be fully implemented and all forces work towards what the formula indicates as being appropriate level of funding for the police area.

The latest settlement announcement assumes that Council Tax Precept will increase by 2% per annum and that the Tax Base itself will also increase by 0.5% per annum over the CSR period.

The Police & Crime Commissioner has produced a Police & Crime plan, which has been refreshed to include the feedback and comments made by stakeholders, partners and the public over the last 12 months.

The Police & Crime Plan is built upon the following 7 strategic priorities:

- Protect, support and respond to victims, witnesses and vulnerable people.
- Improve the efficiency, accessibility and effectiveness of the criminal justice process.
- Focus on those priority Crime types and local areas that are most affected by crime and anti-social behaviour.
- Reduce the impact of drugs and alcohol on levels of crime and anti-social behaviour.
- Reduce the threat from organised crime.
- Prevention, early intervention and reduction in re-offending.
- Spending your money wisely.

Funding

This year remains a challenge to funding for policing in Nottinghamshire. These are summarised as follows:

1. The amount of grant funding is reduced by £1.8m.
2. The Home Office assumptions include for a 2% precept increase and 0.5% tax base increase. The estimates within the precept report show that the tax base increase is just over 1.70% resulting in total funding available of £190.4m.
3. However, the cost pressures that we are also seeing are also having an adverse effect (i.e. pay wards of 1%, inflation at just over 1% and the impact of national insurance changes for the state pension) especially as the funding available continues to reduce.
4. The level of reserves is such that there are necessary plans to replenish the reserves used in recent years. This will be phased in over the medium to long term.
5. The Commissioner at a local level and regional level continues to bid for additional funding being allocated by the Home Office from the Transformation Fund. We have previously been successful in relation to bidding for additional funding. The criterion for such funding continues to tighten.
6. A Police Funding Formula Review is underway and the results of this will be incorporated from 2018-19 onwards.

The estimated funding for the Police & Crime Commissioner over the next four years (and compared with this year) is as follows:

<u>Funding Available</u>	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m
Police & Crime Grant	126.1	124.3	122.3	120.3	118.3
Council Tax Legacy Grant*	9.7	9.7	9.7	9.7	9.7
Precept	54.4	56.4	58.2	59.9	61.7
Collection fund surplus/(deficit)	1.0	1.2			
Transfer to reserves	(1.0)	(1.5)	(1.0)	(1.0)	(2.0)
TOTAL	190.2	190.1	189.2	188.9	187.7

*Legacy Grant is subject to review as part of the funding formula review

**The surplus to be received in 2017-18 will be transferred to reserves. The transfer to reserves in later years is part of the reserves strategy.

Investment

The Police & Crime Commissioner has continued to support investment in many collaborative projects which should deliver significant savings or improve and change the way in which the policing service is provided.

Nottinghamshire is a significant partner in all regional collaborations and collaborations which go outside of the region. More recently the Commissioners of Nottinghamshire, Leicestershire and Northamptonshire have agreed to form a further collaboration across the Tri-Force area for all policing and support functions.

Key to many of the changes has been the need for significant investment in technology. This will ensure an on-going visible presence in neighbourhood policing and provide the training and equipment to meet the needs for all cyber related crime detection.

Investment continues to be made at a regional level and collaboration is well established within the East Midlands. Many specialist policing services such as major crime, roads policing and serious and organised crime are provided through regional teams.

The Commissioner has reduced the size of the police estate and invested in IT to ensure officers are out within our communities for longer.

Under the Commissioners wider remit of “and Crime” and Victims Services the Commissioner is investing in new ways of service delivery and crime prevention.

Savings and efficiencies

The settlement this year and indications for the CSR period is better than anticipated. However, 2017-18 still requires saving of £5.5m to be achieved in order to balance the budget.

The table below summarises the savings plans currently in place for the next financial year:

Efficiencies	2017-18 £m
MRP	0.3
On-going pay savings	4.2
Procurement	0.3
Medical Retirements	0.5
Tri Force Costs (reduction)	0.2
Internal Efficiencies	5.5

The Commissioner is conscious of the risks associated should the efficiencies and savings identified not be achieved in the year that they are required and that achieving them will be a challenge.

The Commissioner is mindful that should there be some slippage in implementing these efficiencies then further savings will need to be identified and delivered in year.

Risks in the Medium Term

Collaboration and Innovation

As a region we have been collaborating for a numbers of years. This has provided resilience to teams so small it becomes difficult to deliver and effective service and in later years has delivered significant savings. As we continue to collaborate savings will continue to be generated. The budgeted figures include the costs of collaboration, but do not include and savings currently. This will continue to be monitored and updated as the true level of savings becomes known.

We have also been successful in obtaining Innovation and Transformation Grant Funding to pump prime new areas of collaborations and new ways of working that will generate future savings. The risk in relation to this funding is the very short timeframes that we have to complete the projects.

Tri Force Collaboration

The Commissioner and Chief Constables across three force areas: Nottinghamshire, Leicestershire and Northamptonshire; has agreed in principle to collaborate further across all of the elements of the service that are not currently within a collaboration agreement.

It is envisaged that this will bring a significant change through standardisation to the way in which Policing is provided across the three counties and deliver the needed savings to balance future year's budgets.

Transformation funding has been obtained for 2016-17 and 2017-18.

Funding Formula Review

As mentioned previously the current funding formula review has been delayed and will not be in place before April 2018. Consultation on a new formula is expected to start early in 2017-18.

Ministry of Justice Funding

The allocation of funding for Victims for 2017-18 is £1,318,455 and this is slightly less than the previous year.

Emergency Services Network

The Home Office has been working on the costs associated with the new network, but there still remains a lack of detail as to what it will mean at an individual force area. However, indicative costs have been included based upon Home Office estimates within our revenue and capital budgets.

Capital Grant

Capital Grant allocations have not been provided to date. This grant is gradually being phased out.

Expenditure

Traditionally expenditure budgets are incrementally changed from the previous year's net expenditure to allow for inflation and savings. During 2013-14 the Commissioner had an independent review of the base budget undertaken. This review identified some areas where further efficiencies might be delivered and provided assurance on the areas that the force was already reviewing. During 2015 this review has been revisited and further recommendations have been made. If the settlement had been as estimated we would have had to see a significant reduction in staff and officers in order to balance the budget.

The expenditure requirements of the Force and the Office of the Police and Crime Commissioner are continuously reviewed and monitored to ensure value for money. The role and responsibility of the Commissioner is to set a balanced budget assured that the force has robust systems in place for producing a full budget.

During 2015-16 it became apparent that the force was not going to deliver a balanced budget and there would be a need for significant additional use of reserves at year end. This was the second year that the force had difficulty in achieving required savings. Since then changes in monitoring processes and the appointment of a Head of Finance has resulted in improved controls and budget management.

Officers, staff and PCSO's account for almost 80% of budgeted net expenditure and as such are a major asset for the organisation. The pace at which police officers, PCSO's and staff leave the organisation can fluctuate year on year, but this is budgeted for.

The improved financial management linked with an improved workforce plan has meant that some recruitment has started to take place in a structured manner.

Inflation and pay awards provide a significant cost pressure. This is constantly reviewed for accuracy.

Summary

In conclusion there are robust plans in place to deliver savings both locally and regionally.

There is still work to do to achieve the required savings plans through to 2021, but the work started on transformation should enable balanced budgets to be set.

There is still a lack of clarity in relation to future budgets and the amount that would be top sliced before allocation to the individual forces. This is increasing each year by significant amounts.

The budgeted summary financial position is as detailed below:

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m
<u>Policing element</u>					
Net Expenditure	197.6	190.9	184.6	185.9	185.3
Savings efficiencies & reserves	(12.0)	(5.5)	(0.1)	(1.7)	(2.3)
sub-total	185.6	185.4	184.5	184.2	183.0
<u>Grants and Commissioning</u>					
Net Expenditure	4.6	4.7	4.7	4.7	4.7
Savings efficiencies & reserves					
sub-total	4.6	4.7	4.7	4.7	4.7
Total net expenditure	190.2	190.1	189.2	188.9	187.7
Total Funding Available	190.2	190.1	189.2	188.9	187.7
Contribution to reserves*	1.0	1.5	1.0	1.0	2.0
Further savings required			(0.1)	(1.7)	(2.3)

* Contributions to reserves from 2018-19 represent the planned replenishment of reserves used in recent years. The amounts shown in 2016-17 and 2017-18 are the surplus on collection fund amounts.

Opinion

The Commissioner is of the view that achieving the levels of efficiencies shown above will continue to be challenging, but acknowledges the hard work undertaken to reach this better financial position, including the planned replenishment of reserves over the medium to long term.