



Nottinghamshire

POLICE & CRIME COMMISSIONER

Medium Term Financial Strategy

2018-19 to 2022-23

January 2018

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 2018-19 and incorporates plans to meet changes in available financing with the need to meet current and future commitments.

The settlement announced in December was better than originally forecast. Previous reductions to grant that reflected a 2% increase to the precept and 0.5% increase in the tax base this has now ceased, ensuring the benefits of locally generated funding remain local.

In addition to this the precept rules have been relaxed allowing Commissioners to increase the precept by up to £12 on the Band D rate.

And the final piece of positive news is that both of these changes have been confirmed for 2018-19 and indicated for 2019-20. This allows better financial planning over a slightly longer period.

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 further and the revised timetable has been put on hold. Within the statement this year the Minister has indicated that this will be resurrected in 2018.

Under the existing funding formula, put into effect in 2005-06, Nottinghamshire continues to lose over £10m per year. The formula itself has never been fully implemented and therefore, in total this now amounts to over £120m+ that the Home Office formula calculates should have come to Nottinghamshire, but which has been withheld, instead providing protection those that would lose significantly as they are over-funded. The Commissioner continues to make the case for a new formula at a national level, one that can be fully implemented over a short period of time.

The Police & Crime Commissioner has produced a draft 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 4 strategic priorities:

- Protecting people from harm.
- Helping and supporting victims.
- Tackling crime and anti-social behaviour.
- Transforming services and delivering quality policing.

Funding

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

1. The amount of grant funding is to reduce by £100,000 to £133.9m.
2. The Referendum assumptions allow for £12 precept increase.
3. The estimated tax base increase is 1.60% for 2018-19, 1.43% 2019-20, 1.28%, 2020-21 falling to 1.0% in 2021-22.
4. The cost pressures that we are budgeting for have a negative impact (i.e. pay wards of 2%, inflation is over 2% (with interest rates having to increase to put inflation back on track)) especially as the funding available continues to reduce.
5. The longer term impact of incremental progression relating to the 200+ new police officers will create pressures in the medium term plan.
6. 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. Current repayment is expected by 2021-22.

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

<u>Funding Available</u>	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Police & Crime Grant	124.2	124.2	124.2	124.2	124.2
Council Tax Legacy Grant*	9.7	9.7	9.7	9.7	9.7
Precept	61.1	65.8	68.0	70.0	71.4
Collection fund surplus/(deficit)	0.5**				
Transfer to reserves ***	(2.4)	(3.0)	(2.0)	(1.0)	
TOTAL	193.1	196.7	199.9	202.9	205.3

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

**The surplus to be received in 2018-19 will be transferred to reserves less an adjustment for the difference between estimated and actual tax base figures.

***The transfer to reserves shown is part of the reserves strategy.

Investment

This Medium Term Financial Strategy allows the Commissioner to invest in the front line delivery of service by increasing the number of officers being recruited. There will be 80 more officers recruited in 2018-19 taking the total to 1940 FTE. The current settlement also enables further investment in priorities such as Knife Crime and Rural Crime.

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. 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.

Key to many of the changes has been the need for significant investment in technology, particularly across the Tri-Force area. 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 table below summarises the savings plans currently in place for the next financial year:

Efficiencies	2017-18 £m	2018-19 £m
MRP	0.3	0.4
On-going pay savings	4.2	2.3
Procurement	0.3	0.3
Medical Retirements	0.5	
Tri Force Costs (reduction)	0.2	
Transport		0.3
MFSS		0.8
Comms and Computing		0.6
Supplies & services		0.9
Income		0.3
Total Efficiencies	5.5	5.9

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 Transformation

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 an 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 total cost of collaboration.

Tri Force Collaboration

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

Transformation funding has been obtained for 2016-17 and 2017-18. The risks associated with this are being closely monitored.

Funding Formula Review

As mentioned previously the current funding formula review has been delayed and will not be in place before April 2018.

Ministry of Justice Funding

The allocation of funding for Victims for 2018-19 is £1,320,326 and this is slightly more than the previous year.

Emergency Services Network

The Emergency Services Network has been progressing slowly and is significantly behind the original implementation plan. Further delays are anticipated with suitable devices not currently being available. All delays will inevitably result in increased costs. We continue to monitor this closely at Force, Regional and National levels.

Capital Grant

Capital Grant allocations have not changed and remain at £0.7m for 2018-19. This grant is gradually being phased out.

Expenditure

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.

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 resulted in a revised workforce plan being created by the Chief Constable and supported by the Commissioner. This will see an increase in Police Officer numbers compared with a year ago when we were anticipating reducing the numbers.

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

Following two years where the force required additional reserves to balance their expenditure to budget a plan was put in place for the Force to replenish the reserves used. For 2016-17 this has plan was exceeded with £2.2m being repaid and which was not planned for. This looks set to continue for 2017-18 with £2.8m estimated to be repaid against the plan of £1.0m. The target for repayment is £11.5m. Nottinghamshire remains in the lower quartile with its level of reserves.

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 2023, but the work started on transformation should enable balanced budgets to be set.

The budgeted summary financial position is as detailed below:

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
<u>Policing element</u>						
Net Expenditure	190.9	194.1	192.8	196.5	199.9	202.4
Savings efficiencies & reserves	(5.5)	(5.9)	(1.1)	(1.6)	(2.0)	(2.1)
sub-total	185.4	188.2	191.7	194.9	197.9	200.3
<u>Grants and Commissioning</u>						
Net Expenditure	4.7	4.9	5.0	5.0	5.0	5.0
Savings efficiencies & reserves	**	**	**	**	**	**
sub-total	4.7	4.9	5.0	5.0	5.0	5.0
Total net expenditure	190.1	193.1	196.7	199.9	202.9	205.3
Total Funding Available	190.1	193.1	196.7	199.9	202.9	205.3
Contribution to reserves*	2.8	2.4	3.0	2.0	1.0	
Further savings required						

* The Contribution to reserves reflects the planned repayment of reserves and has been netted from the funding available.

** The OPCC has made efficiencies in the absorption of pay award and inflationary increases. These have been incorporated into the net budget figure. The increase in budget for 2017-18 and 2018-19 reflects the additional costs in relation to the MARAC and IDVA provision.

Opinion

Within the provisional settlement the Minister has stated that he intends to publish early in 2018 targets for each force in relation to productivity and efficiency. The Force will be required to report regularly on these targets.

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 accelerated replenishment of reserves over the medium term.