



Nottinghamshire

POLICE & CRIME COMMISSIONER

Medium Term Financial Strategy

2019-20 to 2023-24

January 2019

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 2019-20 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. As part of a two year settlement in 2017 the Government announced precept freedoms of £12 for two years to a Band D council tax; provided certain efficiency targets were met nationally relating to procurement. The target set was exceeded and the government has allowed a further precept freedom taking the £12 limit to £24 for 2019-20.

In total the Government have announced an additional £970m for Policing, of which approximately £813m is for local policing and is provided through precept freedoms £509m, plus £143m pension grant, plus £161m additional funding.

This is the final year of the current CSR period and a new CSR is planned to be announced in the Autumn. This will cover the police core grants, additional grant and operational pressures. The long awaited Funding Formula Review is also expected with the Home Office currently thinking this will be complete on time for the funding announcement for 2021-22.

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 £150m+ 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 relatively short period of time.

It may be the case that the CSR itself will not identify any additional funding for policing. That future cost pressures will be met from further precept freedoms. This strategy identifies the level of freedoms that will be possible based upon a real terms increase in expenditure.

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 4 strategic priorities:

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

Funding

The settlement announced for 2019-20 was welcomed in that it provided Nottinghamshire Police with the resources to continue with its programme of officer recruitment and to meet the additional cost pressures it faced (specifically in relation to police pension costs). However, the funding beyond 2019-20 is based upon the assumption that Police Grant will remain flat and additional costs will have to be met through precept increases (including the one off grant from the Treasury). The main highlights are summarised as follows:

1. The amount of core grant funding is to increase by £2.6m to £136.6m
2. An additional Pension Grant of £2.0m for 2019-20. No guarantee beyond this.
3. The Referendum assumptions allow for £24 precept increase in 2019-20 and further freedoms to cover inflation and the Pension Grant in future years.
4. The estimated tax base increase is 1.37% for 2019-20 and 1% in the following years.
5. The cost pressures that we are budgeting for have a negative impact (i.e. pay wards of 2%, inflation is over 2%).
6. The longer term impact of incremental progression relating to the 200+ new police officers (since 2018) will continue to create pressures in the medium term plan.
7. 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:

| Table 1a Funding Available Most Likely Scenario | 2018-19 £m | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23 £m | 2023-24 £m |
|--------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Police & Crime Grant | 124.2 | 126.9 | 126.9 | 126.9 | 126.9 | 126.9 |
| Council Tax Legacy Grant | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 |
| Pension grant | | 2.0 | | | | |
| Precept | 61.1 | 69.5 | 75.7 | 79.9 | 84.2 | 88.7 |
| Collection fund surplus/(deficit) | 0.5* | 0.2 | | | | |
| Transfer to reserves ** | (2.4) | (2.0) | (2.0) | (2.0) | (1.7) | |
| TOTAL | 193.1 | 206.3 | 210.3 | 214.5 | 219.1 | 225.3 |

* The surplus to be received in 2019-20 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.

Table 1a above assumes that precept freedoms will be allowed as follows:

| Band D equivalent | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23 £m | 2023-24 £m |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| % increase | 12.25 | 7.76 | 4.57 | 4.38 | 4.20 |
| Cash increase £ | 23.94 | 17.02 | 10.79 | 10.81 | 10.84 |

However, there is a possibility that public sector expenditure will be impacted negatively by Brexit. Therefore, it is prudent to consider a worst case scenario for police funding beyond 2019-20, even though this is considered unlikely at this stage.

The scenario below assumes that the Treasury Grant for Pensions will cease after one year and that precept will be limited to the 2% increase it has been subjected to in the past. This is the impact on total funding available:

| Table 1b Funding Available Worst Case Scenario | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23 £m | 2023-24 £m |
|-------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Police & Crime Grant | 126.9 | 126.9 | 126.9 | 126.9 | 126.9 |
| Council Tax Legacy Grant | 9.7 | 9.7 | 9.7 | 9.7 | 9.7 |
| Pension grant | 2.0 | | | | |
| Precept | 69.5 | 71.5 | 73.6 | 75.9 | 78.2 |
| Collection fund surplus/(deficit) | 0.2 | | | | |
| Transfer to reserves ** | (2.0) | (2.0) | (2.0) | (1.7) | |
| TOTAL | 206.3 | 206.1 | 208.2 | 210.8 | 214.8 |

Investment

This Medium Term Financial Strategy allows the Commissioner to continue investing further in Neighbourhood Policing by increasing the number of police officers to 1980 officers and by ensuring 185 PCSO's are provided to support the front line. The current settlement also enables further investment in priorities such as Knife Crime, Violent Crime, Robbery, Victims and Rural Crime. With the success of a dedicated Burglary team being replicated in the creation of a dedicated Robbery Team.

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. At a local level this includes collaboration with the Fire Service and other Local Authorities.

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. 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 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:

| Table 2 Efficiencies | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23 £m | 2023-24 £m |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Efficiencies | 3.0* | 3.0 | 3.2 | 3.2 | 3.2 |

- Efficiencies in 2019-20 are already allocated across the relevant budgets in 2019-20 (ie shown net)

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.

Funding Formula Review

As mentioned previously the current funding formula review has been delayed again. The Home office intention is that the new formula will be in place for April 2021, but the delays until post CSR put this date at risk.

Ministry of Justice Funding

The allocation of funding for Victims for 2019-20 is £1,324,943 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 2019-20. 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 has seen an increase in Police Officer numbers and sustainability of PCSO numbers.

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

The replenishment of reserves has been made difficult in 2018-19 with increasing costs relating to the MFSS project to move to Oracle Fusion. The intention is that the replenishment of the reserves will still be achieved by 2022-23. These reserves can then be utilised towards significant building projects within the capital programme.

| Table 3 Expenditure Budget | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23 £m | 2023-24 £m |
|----------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Employee | 163.8 | 169.4 | 172.6 | 175.5 | 178.6 |
| Non-Pay costs | 50.9 | 51.1 | 53.2 | 53.7 | 54.1 |
| Income | (13.4) | (13.6) | (13.8) | (14.1) | (14.4) |
| Sub-total Force Expenditure | 201.3 | 206.9 | 212.0 | 215.1 | 218.3 |
| OPCC | 5.0 | 5.0 | 5.1 | 5.1 | 5.1 |
| Total Expenditure | 206.3 | 211.9 | 217.1 | 220.2 | 223.4 |

Summary

The summary below is based upon the precept freedoms we are anticipating from 2020-21 onwards. The Home Office have stated that freedoms relating to inflation will be provided in the precept as Police Grant will remain flat. This also assumes that the Treasury Grant loss will be made up from additional precept freedoms.

| <u>Most Likely Scenario</u> | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23 £m | 2023-24 £m |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Policing | | | | | |
| Net Expenditure | 201.3 | 206.9 | 212.0 | 215.1 | 218.3 |
| Efficiencies | Net above | (3.0) | (3.2) | (3.2) | (3.2) |
| sub-total | 201.3 | 203.9 | 208.8 | 211.9 | 215.1 |
| OPCC | | | | | |
| Net Expenditure | 5.0 | 5.0 | 5.1 | 5.1 | 5.1 |
| Total net expenditure | 206.3 | 208.9 | 213.9 | 217.0 | 220.2 |
| Total Funding Available Most likely scenario | 206.3 | 210.3 | 214.5 | 219.1 | 225.3 |
| Available for investment | | 1.4 | 0.6 | 2.1 | 5.1 |

* 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.

Should changes take place to the Home Office assumption in relation to precept freedoms the worst case scenario would be summarised as follows:

| <u>Worst Case Scenario</u> | 2019-20 £m | 2020-21 £m | 2021-22 £m | 2022-23 £m | 2023-24 £m |
|--------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total net expenditure | 206.3 | 208.9 | 213.9 | 217.0 | 220.2 |
| Total Funding Available Worst case scenario | 206.3 | 206.1 | 208.2 | 210.8 | 214.8 |
| Further efficiencies required | | (2.8) | (5.7) | (6.2) | (5.4) |