



**NOTTINGHAMSHIRE
POLICE & CRIME
COMMISSIONER**

Financial Strategy

Including Value for Money & Efficiencies Plan

2023-2028



April 2023

1. Introduction

1.1 The purpose of the Financial Strategy is to provide a framework and parameters for financial management. It aims to ensure that finances are managed to ensure:

- Financial management facilitates the delivery of the Police and Crime Plan;
- Taxpayers' money is used effectively, efficiently and demonstrates good value for money;
- Nottinghamshire Police is in sound financial health;
- There is effective corporate governance with sound systems of internal financial control.

1.2 The Strategy is implemented through several plans and policies as detailed in para 1.4.

1.3 Content of the Financial Strategy:

2. Statutory requirements and guidance
3. Revenue spending and council tax
4. Capital spending and funding
5. Carry forward of over and under spending
6. Financial health and governance
7. Income and charging
8. Procurement
9. Accounting and financial processes
10. Budget Management
11. Treasury Management
12. Value for Money & Efficiency

1.4 This strategy also links with other financial reports and strategies that have been reviewed as part of the 2023-24 budget setting process namely:

- the precept decision
- the revenue budget for 2023-24
- the MTFP 2024-25 to 2027-28
- capital five-year programme
- the capital strategy
- treasury management strategy and
- reserves strategy.

2. Statutory Requirements and Guidance

2.1 The financial affairs of the Commissioner and the Chief Constable will comply with statutory requirements including the requirements of the Police Reform and Social Responsibility Act 2011.

2.2 Financial affairs will also comply with the considerable amount of secondary legislation and guidance including:

- The Accounts and Audit Regulations
- Local Government Act & Local Government Finance Act
- The Code of Practice on Local Authority Accounting
- The Code of Practice on Internal Audit in Local Government
- Delivering Good Governance in Local Government
- Prudential Code for Capital Finance in Local Authorities
- The Code of Practice for Treasury Management in Public Services
- CIPFA Financial Management Code 2019, (FM Code)

3. Revenue Spending and Council Tax

3.1 Resources will be allocated in budgets to support and promote achievement of the Police and Crime Plan. The total resources available and their allocation will be planned for a number of years ahead and agreed in a Medium Term Financial Plan. Budgets will be set realistically with expenditure balanced to the income available.

3.2 The council tax will be set to deliver the Police and Crime Plan and with regard to the impact on Nottinghamshire council taxpayers and council tax referendum thresholds set by the government.

3.3 In year budget monitoring and reporting will take place in the Force, OPCC and be reported to the Accountability Board, Police & Crime Panel and Joint Independent Audit Committee in line with their work plans.

4. Capital spending & funding

4.1 Resources will be allocated in the capital programme to maintain and replace existing assets including buildings, vehicles and ICT systems.

4.2 Resources will also be allocated for new developments with priority given to projects, particularly ICT projects, which will generate worthwhile future savings or promote performance and productivity improvements.

4.3 Specific resources will be allocated for collaborative programmes.

4.4 Capital spending will be funded largely through long term borrowing, with some direct revenue financing if affordable. Surplus assets will be disposed of where appropriate. A review of the estate may result in property disposals and/or shared locations with other public services; this is in line with the One Public Estate agenda.

4.5 Annual provision will be made for the repayment of debt. The amount charged will be related directly to the useful life of the assets acquired through borrowing so that debt is not outstanding after the end of an asset's useful life.

4.6 Provision for the repayment of debt including interest as a proportion of annual income from government grants and council tax will not exceed the limit set in the Treasury Management Strategy Statement to ensure that long term borrowing is affordable and sustainable.

4.7 In year budget monitoring and reporting will take place in the Force, OPCC and be reported to the Accountability Board, Police & Crime Panel and Joint Independent Audit Committee in line with their work plans.

5. Carry forward of over and under spending

5.1 Under and over spends on department budgets are not carried forward into the following year automatically. The use of any under spends will be considered overall as part of the outturn report and will be proposed by the CFOs and approved by the PCC.

5.2 All under and over spends due to timing issues on the following budgets will be carried forward without exception:

- capital budgets

- specific grants (subject to grant conditions)

6. Financial Health and Governance

6.1 The Commissioner's Chief Finance Officer is responsible for ensuring that the Commissioner's financial affairs are properly administered having regard to their probity, legality and appropriate standards. The Chief Constable's Chief Finance Officer has the same responsibilities in relation to the Police Force.

6.2 The PCC and the Chief Constable will both prepare and publish codes of corporate governance and annual governance statements in conjunction with their relevant statutory officers.

6.3 The PCC and the Chief Constable will also prepare risk registers and keep them under review, and appropriate arrangements made to eliminate or mitigate risks including establishing provisions, earmarked reserves and the use of insurance where applicable.

6.4 A Joint Independent Audit Committee will monitor and report on the effectiveness of corporate governance and risk management arrangements.

6.5 Detailed Financial Regulations and Contract Standing Orders will be maintained, and compliance monitored.

6.6 An internal audit function will be maintained in accordance with the CIPFA Code of Practice.

7. Income and Charging

7.1 Charges for services will be set to comply fully with national guidance. National rates of charges will be applied where set.

7.2 Charges will be set to recover the full economic cost for policing commercial events.

7.3 Discretionary charges will, as a minimum, recover the costs of providing services. All charges will be updated at least annually.

8. Procurement

8.1 Procurement arrangements will be designed to ensure that the right things are acquired at the most economically advantageous price. This recognises both price and value.

8.2 Procurement processes will promote:

- Value for money;
- Transparency, accountability and probity;
- And compliance with legal requirements.

8.3 Strong centralised controls will be maintained to ensure high levels of compliance with approved processes.

8.4 Competitive prices will be achieved through maximising the use of national or regional contracts which provide significant savings. Higher value contracts will be subject to tendering or other competitive processes in accordance with contract standing orders.

9. Accounting and Financial Processes

9.1 Strong financial controls will be maintained with the Chief Finance Officers responsible for agreeing all financial processes, systems and financial records.

9.2 Accounting policies will comply fully with International Financial Reporting Standards and statutory requirements as set out in the Code of Practice on Local Authority Accounting in the UK. The annual financial statements will give a true and fair view of the financial position and transactions in the opinion of the external auditor.

10. Budget Management

10.1 The PCC and the Chief Constable will manage within approved budgets.

10.2 Budget management responsibilities for every revenue and capital budget will be delegated to nominated budget holders who will be expected:

- to set realistic budgets and to manage actual expenditure and income within these budgets;
- to manage in a way which maximises service performance and benefits, and;
- to take responsibility for financial management in their service area.

10.3 The PCC and the Chief Constable will monitor overall financial performance on a monthly basis and take any necessary corrective action. This will include ensuring that there is a planned approach to finding the savings necessary to balance the budget and that the required savings are achieved.

10.4 The Chief Finance Officers will ensure that budget holders and senior managers receive appropriate support including training. The CFOs will also ensure that the finance function is resourced to be fit for purpose, including the availability of specialist financial expertise as necessary.

11. Treasury Management

11.1 The PCC will agree an annual Treasury Management Strategy Statement before the start of each financial year. The Joint Independent Audit Committee will receive, as a minimum, a six-monthly progress report and a year-end annual report.

11.2 Long term borrowing will be taken to fund capital expenditure. Decisions on borrowing will be based on a range of treasury management considerations including the cash flow position, current and projected interest rates, and the maturity profile of current debt.

11.3 Policies for the investment of surplus cash will be security first, liquidity second and then return. Protection of the capital invested will be the overriding priority. Return on investment will be maximised but will be modest, commensurate with this level of risk.

11.4 The PCC will agree targets for specified prudential indicators in relation to capital financing and other treasury management matters before the start of each financial year. The main purpose of these is to ensure that capital financing, in particular long-term borrowing, is prudent, affordable and sustainable.

11.5 The PCC agrees a formal Capital Strategy following the introduction of the requirement by the CIPFA Prudential Code (2017) in 2019-20.

12. Value for Money & Efficiency Plan

12.1 The Commissioner will agree an annual Value for Money & Efficiency Plan (this document) before the start of each financial year. There will be specific arrangements to oversee its delivery with regular monitoring and reporting to the Chief Constable and the Police and Crime Commissioner.

12.2 Value for money will be a key consideration in decision making. This includes:

- Having robust business plans linking policing plans with the budgets available.
- Applying a rigorous business case for all major projects involving new revenue or capital spending. All business cases will include the Chief Finance Officer's comments on financial implications, compliance, risk and value for money.
- Reviewing all areas of spending periodically through specifically commissioned value for money reviews.

12.3 Services will be delivered in partnership with other bodies where this provides better value for money including better services and / or lower costs. This may include:

- Working jointly with partners;
- commissioning services from other bodies, and;
- contracting out services to private sector providers.

12.4 The latest PEEL assessment was published in April 2022, in which the Force were rated as 'Adequate' on the measure of 'good use of resources/operating efficiently'. Specific findings included:

- The force must make sure it can achieve efficiency savings and improve productivity through the introduction of new systems.
- The force's performance management process needs to show a wider understanding of demand.
- The force does not have an awareness of capability in all teams, resulting in silo working.
- The force actively seeks opportunities to improve services by working with other organisations.
- The force makes the best use of the finance it has available, and its plans are both ambitious and sustainable.
- The force makes good use of ICT to support frontline policing.

12.5 HMICFRS have provided a detailed set of VFM profiles based on the Police Objective Analysis 2022.

- Nottinghamshire spends the 18th lowest amount per head of population, £198.85, compared with all 43 forces.
- Nottinghamshire have 1.94 Police Officers per 1000 population, mid table compared with all 43 forces.
- Nottinghamshire have 0.13 PCSOs per 1000 population, 14th lowest compared with all 43 forces.

Efficiency Plan

12.4 The CSR 2021 assumed £100m p.a. in efficiency savings for the service nationally. This means that the Force needs to identify and deliver savings on an ongoing basis. The annual budget report details the organisation's achievement in this respect; currently the trend is that achievement is well above the apportionment of the national target set by government, and this continues to be the expectation in the medium term.

12.5 The following table sets out a balanced approved budget for 2023-24 including £4.7m of

efficiencies and savings. There is a stretched efficiency requirement, i.e., above the £2.0m amount expected, in each of the following years of the plan. This is a worsening position and indicates that maintenance of current service standards will become increasingly challenged as time progresses.

	Budget 2023-24 £m	Medium Term Financial Plan - as at February 2023			
		2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
Revenue Expenditure	261.3	271.6	279.6	282.9	290.9
Direct Revenue Financing	0.6	0	0	0	0
Total Expenditure	261.9	271.6	279.6	282.9	290.9
Core Funding	260.4	265.7	273.2	279.6	285.3
Use of Reserves	1.5	0.4	0.4	0.5	0.5
Total Funding Available	261.9	266.1	273.6	280.1	285.8
Net Surplus/(Deficit)	0.0	(5.5)	(6.0)	(2.8)	(5.1)
Core Efficiency Requirement (BAU)	£4.7m of efficiencies incl. above	1.5	0.8	0.4	0.3
Stretch Efficiency Target/Use of Reserves	0	4.0	5.2	2.4	4.8
Total Efficiency Requirements	0	5.5	6.0	2.8	5.1
Net Surplus/(Deficit)	0.0	0.0	0.0	0.0	0.0

12.6 The settlement for 2023-24 is challenging, especially in respect of the management of inflation which at a national level is significantly above target. In respect of uplift funding this is now heavily weighted to performance, and this is a trend that might be employed by Government in the future to core funding award conditions. In any case it is clear to see that greater focus will be on how forces are planning for, and delivering, efficiencies in their operations.

12.7 The force also has pressure to deliver efficiencies to invest in new buildings technologies, in office-based technology, and vehicles for both operational need as well as to support government in the delivery of its environmental targets, both the short, medium, and long term. There will therefore be an on-going need to achieve efficiencies as the Force continues to maintain a financially sustainable position over the long term.

12.8 The Chief Constable continues to drive efficiency challenges within Force and the current year's budget has a reduction in costs of £4.7m, these are required to support a balanced annual budget and are detailed in the annual budget report.

12.9 There are risks associated should the efficiencies and savings identified not be achieved in the year that they are required, but these are much less than in previous years. The substantially improved link between financial management and recruitment means that mechanisms for managing both operational and financial performance, and thus risk mitigation, are now well developed.

12.10 Although efficiencies delivered over the last 4 years exceed those identified in the previous Medium Term Operational Plan, these still haven't been sufficient to deliver a sustainable medium to long term financial position, as external global and national factors, and other supply chain issues has led to a global recession and high inflation rates.

12.11 The Commissioner is of the view that continually achieving efficiencies is necessary however challenging. Although current indications at the time of producing this report is that the Force will achieve its efficiency targets for the 2022-23 budget, and that overall outturn will be below budget. As in the previous year if budget and efficiency targets are not met then the Commissioner will require the force to provide alternative in-year savings plans.

12.13 The budgeted summary financial position below shows current year and future efficiency requirements, along with the cumulative impact:

Revenue Expenditure	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	Assumptions
Total Efficiency requirements – Balanced Budget	0.0	5.5	6.0	2.8	5.1	The efficiency total required (non-cumulative impact)
Cumulative Deficit	0.0	5.5	11.5	14.3	19.4	Cumulative deficit if efficiencies are not achieved.

12.14 In the normal running of a business, it would be expected some form of on-going efficiency savings or budget reductions would become the norm. At the Force we do expect a continuous challenge by the Force Executive Board, Budget Managers and from the Finance Team to ensure this is delivered.

12.15 In the medium-term efficiency strategy work expectations are as follows:

Core Efficiencies – Business as Usual expectations

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	
Core Efficiency requirement (BAU)					This is the level of efficiencies/reductions expected each year as part of normal business
Procurement Activity	0.350	0.050	0.050	0.050	On-going activity
Estates (sustainability investment/rationalisation)	0.150	0.100	0.050	0.050	Net impact of sustainability business cases
IT (obsolete systems/licenses)	0.250	0.200	0.100		On-going programme
Flexible working	0.100	0.100			Part reduction in hours/smaller estate
New Income generation	0.250	0.100			Safer Roads, abnormal loads etc.
Ad Hoc staffing reviews	0.100				Normal business practice
Budget Build challenges	0.300	0.250	0.200	0.200	Part of annual budget gatekeeping
Total BAU (cumulative)	1.500	0.800	0.400	0.300	
Cumulative Total	1.500	2.300	2.700	3.000	

12.16 However, given both the annual and cumulative savings identified in the MTFP this alone would not be sufficient to deliver a balanced budget. The Force therefore needs to identify further stretch efficiencies or reductions to balance the budget.

12.17 This is on-going work with business cases and operating models being constantly reviewed, the approach we take to identifying developments in service also assist in targeting

areas for future efficiencies. The following table gives examples of current expectations that could be achieved:

Stretch Efficiencies – Areas for delivery in the medium term

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	
Stretch Efficiency Target					Additional efficiencies required to balance the budget
Custody Suite Staffing review	0.250				In line with business case requirements
Riverside Sub-lets	0.150				PFI exit strategy
Reduced Graduate Investigator posts	0.300	0.150			Reduced to 12 per annum 24-25, and 6 per annum 25-26
Reduced PSI posts	0.350	0.350	0.400		Reduce 10 per year, in line with strategy
Vacancy rate up 1.0%	0.350				
MRP/CFR review	0.100	0.100			
Increase in income fees	0.100		0.100		Locally set income only
Total Stretch Efficiency	1.600	0.600	0.500	0.000	
Cumulative Total	1.600	2.200	2.700	2.700	

12.18 If these efficiencies were to be delivered in the timeframes expected, then this would have the following impact on the MTFP.

Medium Term Financial Plan with efficiencies embedded

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	
Total NRE before efficiencies	271.6	279.6	282.9	290.9	
New NRE (after prior year efficiencies applied)		276.5	278.4	285.5	Net increases in expenditure are £8.0m, £3.2m, £8.2m in 25-26, 26-27 and 27-28 respectively
Core Efficiency Target (BAU)	1.500	0.800	0.400	0.300	This is the level of efficiencies/reductions expected each year as part of normal business
Stretch Efficiency Target	1.600	0.600	0.500	0.000	Additional efficiencies required to balance the budget
Total in year Efficiencies	3.100	1.400	0.900	0.300	
New NRE (after efficiencies applied)	268.5	275.1	277.5	285.2	
Total Funding Available	266.1	273.6	280.1	285.8	
In year deficit/(surplus)	2.4	1.5	(2.6)	(0.6)	The efficiency total required as part of the Forces efficiency strategy
Cumulative Deficit	2.4	4.0	1.4	0.9	Cumulative deficit after efficiencies are achieved.

CFO Conclusion

12.19 Work continues towards achieving and refining the required savings plans in order to deliver on the Commissioners Police and Crime Plan, it is however clear that on-going savings will be required in order to achieve this. The full implementation of pay and other non-pay efficiencies, along with the Annual Departmental Assessments and Departmental Reviews will leave the Force well placed to deliver the required efficiencies required during this planning period, and thereafter achieve a sustainable financial position.

12.20 There is more clarity in relation to future Home Office funding levels, and the relaxing of Council Tax referendum rules with a £15 in year increase does provide for more certainty and opportunity in the future. The investment in the Uplift programme will enable the Force to meet its operational demand, which has seen additional resources being mainly directed to front line delivery in neighborhoods. Force performance remains good and plans to maintain PC numbers as well as provide for the maintenance and replacement of operational equipment and buildings beyond the planning period are in place.

12.21 The drive for efficiency in support costs, either corporate or policing related will continue. The aim is to ensure our costs in respect of these activities are amongst the most efficient when compared to other police forces. However, following on from Op Regain further savings in these areas may be limited.

12.22 Sufficient on-going review and risk management is in place such that if funding levels anticipated are not forthcoming then delivery of the standard policing model is achievable in a time frame that does not jeopardise the minimum sustainable policing level. The current efficiency strategy does begin to realise some of these reductions as we reduce the number of temporary staff investigation roles as core PC roles become more experienced and can be directed towards this activity.

12.23 During the period of the plan to 2027-28, if the efficiency gains are achieved as identified, a minor deficit of £0.9m is expected. This is a sufficiently small enough number to consider, given the large number of planning assumptions made, that the financial plan is balanced. The Force has a track record of over-achieving its targets, and if this is the case then these will be used to increase the reserves of the OPCC.

12.24 This strategy shows that the delivery of the MTFP and achieving the Forces operational need is reliant on both maintaining current real term spending as well as the delivery of on-going efficiencies. Neither of these is certain and the level of risk in the assumptions are such that this position could be in jeopardy if government grants are reduced and if inflation, especially in respect of pay, are greater than estimated, or if the Commissioner does not wish to maximise the precept within referendum threshold principles.

12.25 In conclusion there are robust plans in place to deliver savings in the short, medium, and long term. The risks associated with the annual efficiency target of are significantly reduced in the current year as these have already been included in core budgets.

12.26 As a consequence of the improved budgeting performance, the introduction of the Annual Departmental Assessment reviews, more certainty of Central Government funding, and greater discretion in the setting of local taxation levels, the finance and Operating Model of Nottinghamshire Police Force is considered to be above the minimum standards and is sufficiently robust to be **affordable**.

Opinion

12.27 The Commissioner and Chief Constable are of the view that achieving the levels of efficiencies shown above, although challenging, are certainly achievable. There is monthly monitoring of performance, spend and recruitment against the financial targets, and in year adjustments, when necessary, continue to be proactively made. Above all a **prudent** approach to both the operational and financial management of the organisation is in place

12.28 However there is no room for complacency and consideration is being given on the best ways to retain the thoroughness of delivering on-going efficiencies. We are also mindful of the risks associated in these plans, especially those affecting the national economy, the upcoming review of the police funding formula, and the level of uncertainty in the base assumptions that a forecast of this nature relies upon.

12.29 The Annual Budget, Operational Models, and this Medium-Term plan are sufficiently robust to ascertain that policing in Nottinghamshire is above the levels required to provide an adequate police service and that the Force is sufficiently resourced to ensure this on a **sustainable** basis.

Risk Review

12.30 Although with the achievement of efficiencies the plan does give a positive financial position, the level of risk in the assumptions are such that this position could be compromised. The main risks being if government grants are reduced and if inflation, especially in respect of pay, is greater than estimated or that there is a significant and unplanned uplift in demand. In these situations, modelling has shown that a move to the minimum policing model is sustainable, although performance would be reduced.

12.31 Furthermore modelling does show that the OPCC will have sufficient funding in the Reserves to allow for a minimum of two years achieving any required change. Two years is more than sufficient for recruitment to be curtailed, but not stopped, for the force to scale down to a revised employee number by the natural attrition rate for officers and staff.

C Henry
Police and Crime Commissioner

K Meynell
Chief Constable

S Caddell
Chief Executive to the PCC

S Cooper
Deputy Chief Constable

G Holder
Chief Finance Officer to the PCC

M Kimberley
Chief Finance Officer to the CC