



Nottinghamshire

POLICE & CRIME COMMISSIONER

Medium Term Financial Plan

2015-16 to 2018-19

January 2015

Commissioners Medium Term Financial Plan

Introduction

This document is part of the overall financial framework of the Police & Crime Commissioner. It builds on the budget proposed for 2015-16 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 level of cuts that have been made to Government grants are set to continue in the short to medium term.

Within the current Comprehensive Spending Review (CSR) Nottinghamshire has had to deliver £42million in efficiencies in order to balance the budget and improve performance. Early indications are that similar levels of savings/cuts will be required over the next CSR period as the economic recovery will be very slow and prolonged.

This 20% reduction has a significant impact on Nottinghamshire as approximately 72% of budget funding comes from Grant. In 2013-14 Nottinghamshire also lost out on £10.5m in grant. This was due to receiving a flat rate decrease rather than the amount due under the Home Office funding formula. The loss of grant is no longer calculated by the government offices, but with further flat rate decreases on grant Nottinghamshire's loss will remain significant and at the £10m level. The funding formula itself is under review.

The remaining 28% of funding comes from precept (Council Tax). The referendum limit is subject to review annually and has been set at 2% for 2015-16. This together with no indicative budget figures for 2016-17 makes financial planning with any certainty difficult and unpicking decisions to cut service impossible to reverse at a later date.

Despite this 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 introduces more changes to funding for policing in Nottinghamshire. These are summarised as follows:

1. The Grant from the Government has been cut by 5.1% in cash terms. This is slightly higher than estimated, but year on year is now very challenging to achieve, whilst retaining a fit for purpose Police Service.
2. The cost pressures that we are also seeing are also having an effect (i.e. pay wards of 1%, the impact of the Winsor review on Police pay and inflationary pressures) especially as the funding available continues to reduce.
3. At the time of writing this report the billing authorities had yet to declare any surplus or deficit on the collection fund accounts.
4. The Commissioner at a local level and regional level continues to bid for additional funding being allocated by the Home Office from the Innovation Fund. We have previously been successful in relation to bidding for this additional funding. It is envisaged that the projects it is funding will deliver significant savings to balance the budget in future years.
5. At the time of writing this report we had not received the settlement figures in relation to grant funding. If these are significantly different to those estimated this could increase our borrowing requirement and have a negative impact on the revenue budget.
6. During 2014-15 the Commissioner became an early adopter for the Commissioning of Victim Services. This service is under review and a new contract with provider(s) is due to be let for 2015-16.

The estimated funding for the Police & Crime Commissioner over the next four years is as follows:

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
Police & Crime Grant	126.8	120.3	114.2	108.4
Council Tax Legacy Grant	9.7	9.7	9.7	9.7
Precept	52.4	53.4	54.5	55.6
Collection fund surplus/(deficit)				
TOTAL	188.9	183.4	178.4	173.7

Collection fund balances are unknown at this stage with declarations from billing authorities not being due until 31st January. If there is a net surplus this will be transferred to the Grants & Commissioning Reserve.

Investment

The Police & Crime Commissioner has made a promise to increase frontline policing. This budget is based upon a third year of recruitment to maintain the number of police officers, despite the significantly large number of leavers. Continued recruitment becomes ever more difficult as further cuts are made to funding.

The Commissioner has been investing in “Delivering the Future” a development programme within the force aimed at identifying how the service will be have to be delivered beyond 2020 with fewer resources available.

Investment is also being 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. Support services such as finance and human resources are also being developed for regional delivery.

At a local level investment is being made in working closer with partners (e.g. triage assessment at the first point of contact, making sure the right service is provided by the police or one of its partners – e.g. Mental Health).

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

Over the current CSR efficiencies totalling £42m will be delivered. Early indications are that the next CSR will seek further cuts at similar levels (over 20%). All of this is becoming harder to achieve whilst maintaining the current level and quality of service.

The table below summarises the savings plans currently in place for the next two years:

Efficiencies	2015-16 £m	2016-17 £m
Collaboration	1.3	
Procurement	0.8	0.3
Estates	0.3	
Corporate Services	1.9	4.0
Transport	0.8	
Operational Efficiencies	1.4	
Income Generation	0.4	
Corporate Efficiencies	6.9	4.3

In addition to these efficiencies it is anticipated that the development programme and region will deliver the following savings:

Further Savings	2015-16 £m	2016-17 £m
Collaboration	0.5	
Estates	0.1	
Corporate Services	0.8	
Operational Efficiencies	1.9	
Local policing		5.0
Specialist Services		2.2
Commissioners Office	0.1	
Other	0.7	
Total Savings	4.1	7.2
Total Efficiencies and Savings	11.0	11.5

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 some limited use of reserves may be required to smooth the implementation, but it envisaged that these would be repaid over the medium term.

Collaboration

The East Midlands region incorporates the policing areas of Derbyshire, Leicestershire, Lincolnshire and Northamptonshire with Nottinghamshire. This is a large region which has been collaborating for several years. Regional Collaboration has been developing and the Police & Crime Commissioners are keen for it to deliver more both financially and in performance terms.

Recently the region has made bids to the Home Office Innovation Fund some of which have been successful. This will ensure that the collaboration between Nottinghamshire, Northamptonshire and Lincolnshire will be able to pick up pace and will establish a joint business support unit and IT strategy, which achieve a convergence and investment in new IT systems. Some additional funding may be required from reserves.

Collaboration at a local level is also being developed this includes local authorities and other emergency services.

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.

The expenditure requirements of the Force and the Office of the Police & 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 85% 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. Savings arise as officers retire at the top of the grade are replaced with new recruits on lower grades. The revenue budget report details the assumptions made for budgeting purposes.

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

Total Net Expenditure requirements are provided below:

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
Previous year net expenditure	193.8	188.2	183.4	178.4
Net changes for pressures	8.4	10.9	3.7	1.8
Net expenditure requirement	202.2	199.1	187.1	180.2

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 2020, but the work started on transformation should enable balanced budgets to be set.

There is still risk in relation to future grant settlements and a possibility that these may be cut by more than has been estimated.

The summary financial position is as detailed below:

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
<u>Policing element</u>				
Net Expenditure	197.7	194.6	182.6	175.7
Savings efficiencies & reserves	(10.9)	(11.4)	(6.0)	(2.7)
sub-total	186.8	183.2	176.6	173.0
<u>Grants & Commissioning</u>				
Net Expenditure	4.5	4.5	4.5	4.5
Savings efficiencies & reserves	(0.1)	(0.1)	(0.1)	(0.1)
sub-total	4.4	4.4	4.4	4.4
Total net expenditure	191.2	187.6	181.0	177.4
<u>Financing available</u>				
Grants	136.5	130.0	123.9	118.1
Precept	52.4	53.4	54.5	55.6
Total Financing	188.9	183.4	178.4	173.7
Contribution (from)/to Reserves incl above	(3.0)*	(1.0)		
Further (savings) required		(3.2)	(2.4)	(3.6)

* The additional £0.7m from precept will be transferred to reserves once the estimates have been confirmed by the Billing Authorities.

The Commissioner is of the view that achieving the levels of efficiencies shown above will be challenging. He has mapped out a programme of work and monitoring with the Force. If these targets are not met the Commissioner has made it clear that the pace of recruitment will be slowed or stopped. Any slippage in the achievement of the efficiencies may result in the limited use of reserves. Where reserves are used it is expected that these would be repaid over the medium term.