



Nottinghamshire

POLICE & CRIME COMMISSIONER

Medium Term Financial Plan

2014-15 to 2017-18

January 2014

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 2014-15 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 been made to Government grants are set to continue in the short to medium term.

Within the current 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 Comprehensive Spending Review (CSR) period as the economic recovery will be very slow and prolonged.

This 20% reduction has a significant impact on Nottinghamshire as approximately 76% 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 for 2014-15 is no longer calculated by the government offices, but with another flat rate decrease on grant Nottinghamshire's loss will remain significant and at the £10million level. The funding formula itself is under review.

The remaining 24% of funding comes from precept (Council Tax). The referendum limit is subject to review currently and could be lower than the initially indicated level of 2% for 2014-15. This together with no indicative budget figures for 2015-16 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 previously separate Community Safety Grant has been combined with the former Police Grant and is now the Police & Crime Grant. This grant is no longer specific to policing as the areas of responsibility are increased to cover community safety, victims and witness services and restorative justice.
2. The Council Tax Freeze Grant (2011-12) and the Council Tax Support Grant have been combined to form the Council Tax Legacy Grant. This grant should continue until a new funding formula is created and approved.
3. The significant reduction in Council Tax base and therefore precept income for 2013-14 has been reversed partly in 2014-15 with a 2% increase in the estimated tax base for 2014-15.
4. At the time of writing this report the billing authorities had yet to declare any surplus or deficit on the collection fund accounts.
5. The Commissioner has just been notified of successful bids in relation to the Home Office Innovation Fund for 2013-14 and 2014-15. We have been successful in relation to a bid for early intervention work on child abuse £42,966 and a cross agency working bid of £50,014. Regionally we have been successful in relation to a regional Forensics bid £226,000, a regional ICT and transformational team bid. Due to changes in the forces collaborating for the ICT bid the amount awarded is being verified. The amount specific to 2014-15 is also being re-calculated and there will be an opportunity to bid for additional Innovation funds in 2014-15. It is anticipated that most of the costs for a Director of Transformation and a change management programme team will be met from this funding.

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

	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m
Police & Crime Grant	133.6	127.0	121.9	117.1
Council Tax Legacy Grant	9.7	9.7	9.7	9.7
Precept	50.5	51.5	52.5	53.6
Collection fund surplus/(deficit)				
TOTAL	193.8	188.2	184.2	180.4

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 by 150 officers and 100 Police Community Support Officers (PCSO's). This budget is based upon a second year of increases towards those targets.

Despite the continuing reduction in funding available the Commissioner has made significant progress in increasing the number of Police Officers and PCSO's in line with his election promises. By April 2015 there will be 2,142 police officers an increase of 120 since 2012-13 and 375 PCSO's an increase of 75 since 2012-13.

Police Officer leavers have been higher than originally anticipated, but are expected to meet budgeted expectations for 2014-15.

Savings and efficiencies

During the current CSR efficiencies totalling £42m will be delivered. Early indications are that the next CSR will seek further cuts at similar levels (20%). All of this is becoming harder to achieve whilst maintaining the current level and quality of service. This can be seen through the Force indicating a slight overspend in 2013-14 financial year.

To achieve the level of service cuts required through the medium term financial plan the force have been developing a change programme to deliver transformational change through a target operating model (TOM). This will by 2020 result in the service being provided in a different way.

The journey towards transformational change started with the reduction in police estate, which in itself will deliver vital revenue savings and better working relationships with partners and stakeholders through co-location.

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

Efficiencies	2014-15 £m	2015-16 £m
Collaboration	0.3	1.1
Procurement	1.3	
Estates	1.4	
Corporate Services	2.9	
Fleet	0.2	
Income generation	1.2	
Commissioners Office	0.1	0.1
TOTAL Efficiencies	7.4	1.2

In addition to the efficiencies planned it is anticipated that the TOM will start to deliver savings in 2014-15 and these are summarised as:

TOM savings	2014-15 £m	2015-16 £m
Collaboration	0.3	4.2
Local policing re-design	2.0	2.6
Systems thinking	2.0	1.5
Regional ICT	1.0	1.0
Total TOM Savings	5.3	9.3

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.

If these targets are not met the Commissioner has made it clear that the pace of recruitment in 2014-2015 will be slowed or stopped. What's more he 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. Business cases are due with the Commissioner for approval before 31st March and these will identify savings into the longer 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 each of 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.

Net movement in officers provides savings and additional cost pressures. Additional costs are the result of recruiting more officers, staff and PCSO's. Savings are achieved as retiring and leaving officers on the top of their rank are replaced by new recruits at the start of their careers.

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

Net Expenditure requirements are provided below:

	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m
Previous year net expenditure	196.9	195.8	185.3	193.2
Net changes for pressures	11.6	(10.5)	7.9	7.0
Net expenditure requirement	208.5	185.3	193.2	186.2

Summary

In conclusion there are robust plans in place to deliver an ambitious investment plan of additional officers, staff and PCSO's, whilst ensuring a balanced budget for 2014-15.

There is still work to do to achieve the required savings plans for 2015 through to 2018, 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:

	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m
<u>Policing element</u>				
Net Expenditure	203.9	188.5	188.8	181.8
Savings efficiencies & reserves	(14.6)	(7.6)		
sub-total	189.3	180.9	188.8	181.8
<u>Grants & Commissioning</u>				
Net Expenditure	4.6	4.5	4.4	4.4
Savings efficiencies & reserves	(0.1)	(0.1)		
sub-total	4.5	4.4	4.4	4.4
Total net expenditure	193.8	185.3	193.2	186.2
<u>Financing available</u>				
Grants	143.3	136.7	131.7	126.8
Precept	50.5	51.5	52.5	53.6
Total Financing	193.8	188.2	184.2	180.4
Contribution (from)/to Reserves incl above	(2.0)	2.9		
Further savings required			9.0	5.8

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.