



**NOTTINGHAMSHIRE  
POLICE & CRIME  
COMMISSIONER**

## Draft Financial Strategy

Including Value for Money & Efficiencies Plan

2024-2029



January 2024

## **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 2024-25 budget setting process namely:

- the precept decision
- the revenue budget for 2024-25
- the MTFP 2024-25 to 2028-29
- 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.

A PEEL inspection of the Force is currently in progress but is not expected to report until the summer, this will be reviewed and if required this strategy will be updated to reflect any findings that affect financial management or VFM.

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, 14<sup>th</sup> lowest compared with all 43 forces.

## Efficiency Plan

12.6 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.

12.7 The following table sets out a balanced approved budget for 2024-25 including £5.2m of efficiencies and savings. There is a stretched efficiency requirement, i.e., above the 'business as usual amount' expected, in each of the following years of the plan. This is however an improving position compared to previous years and indicates that maintenance of current service standards, although challenging, should be sustainable.

	Budget	Medium Term Financial Plan - as at January 2024			
	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m
Revenue Expenditure	289.7	302.8	311.3	317.2	323.6
Direct Revenue Financing	0.0	0.0	0.0	0.0	0.0
<b>Total Expenditure</b>	<b>289.7</b>	<b>302.8</b>	<b>311.3</b>	<b>317.2</b>	<b>323.6</b>
Core Funding	286.4	292.8	302.7	312.3	320.8
Use of Reserves	3.3	2.1	2.6	1.9	0.0
<b>Total Funding Available</b>	<b>289.7</b>	<b>294.9</b>	<b>305.3</b>	<b>314.2</b>	<b>320.8</b>
<b>Net Surplus/(Deficit)</b>	<b>0.0</b>	<b>(7.9)</b>	<b>(6.0)</b>	<b>(3.0)</b>	<b>(2.8)</b>
Core Efficiency Requirement (BAU)	0.0	1.0	1.7	2.1	2.4
Cumulative Stretch Efficiency Targets	0.0	2.0	2.9	3.6	4.0
<b>Total Efficiency Requirements</b>	<b>0.0</b>	<b>3.0</b>	<b>4.6</b>	<b>5.7</b>	<b>6.4</b>
Use of Reserves from/(to) / One-off savings	<b>0.0</b>	<b>4.9</b>	<b>1.4</b>	<b>(2.7)</b>	<b>(3.6)</b>
<b>Net Surplus/(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>

12.8 The settlement for 2024-25 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 maintenance of numbers, a trend that was expected in the last financial strategy document. 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.

12.9 The force also has pressure to deliver efficiencies in the short to longer term to invest in new buildings, technologies, and vehicles for both operational need as well as to support government in the delivery of its environmental targets. The Force is in the process of delivering a comprehensive sustainability strategy, which will become a key strategy in support of the overarching financial strategy. An investment reserve of £1.5m has been made available by the PCC to support investment to help achieve future environmental targets. There remains an on-going need to achieve efficiencies as the Force continues to maintain a financially sustainable position over the long term.

12.10 The Chief Constable continues to drive efficiency challenges within Force and the current year's budget has a reduction in costs of £5.2m, these are required to support a balanced annual budget and are detailed in the annual budget report.

12.11 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.

12.12 Although efficiencies delivered over the last 5 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 with both high inflation and interest rates.

12.13 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 2023-24 budget, and that overall outturn will be significantly 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. Where significant underspends are available consideration will be given to using these to fund capital expenditure so as to reduce the impact of borrowing in future years.

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

	2024-25	2025-26	2026-27	2027-28	2028-29	Assumptions
	£m	£m	£m	£m	£m	
In year budget shortfall	0.0	7.9	6.0	3.0	2.8	Based on £12.96 precept in 2024/25 and balancing the budget
Ongoing efficiency impact	0.0	-1.0	-1.7	-2.1	-2.4	
Shortfall	0.0	6.9	4.3	0.9	0.4	The efficiency total required (non-cumulative impact)
<b>Cumulative shortfall</b>	<b>0.0</b>	<b>6.9</b>	<b>11.2</b>	<b>12.1</b>	<b>12.5</b>	<b>Cumulative deficit if efficiencies are not achieved</b>

12.15 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.

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

### **Core Efficiencies – Business as Usual expectations**

Core Efficiency Requirement (BAU)	2025-26	2026-27	2027-28	2028-29	Assumptions
	£m	£m	£m	£m	
Procurement Activity	0.25	0.10	0.05	0.05	On-going activity
Estates (sustainability)	0.10	0.05	0.05	0.05	Net impact of sustainability business cases
IT (obsolete systems/licenses)	0.20	0.10	0.05	0.00	On-going activity
Flexible working	0.10	0.05	0.00	0.00	Part reduction in hours/smaller estate
New income generation	0.10	0.10	0.05	0.05	
Budget build challenges	0.25	0.25	0.20	0.20	Part of annual budget scrutiny
<b>Total</b>	<b>1.00</b>	<b>0.65</b>	<b>0.40</b>	<b>0.35</b>	

12.17 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.

12.18 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

Stretch Efficiency Target	2025-26	2026-27	2027-28	2028-29	Assumptions
	£m	£m	£m	£m	
Reduced Graduate Investigator Posts	0.20				In line with detective constable recruitment
Reduced PSI posts	0.25	0.20			In line with detective constable recruitment
Rank mix review	0.25				Post review of target operating model
Removal of volatility contingency	0.20	0.20			Remove as inflation moves to a normal level
IT storage review			0.25	0.25	Benefits of cloud storage/other innovations
Vacancy rate up 0.25% to 5%	0.15				In line with regional levels
Review of trading account cost allocations	0.20	0.20	0.15	0.15	Maximising benefits from Nottinghamshire Safer Roads
Departmental allocations (TBC)	0.75	0.30	0.30		Individual targets to be allocated as part of 25-26 budget build
<b>Total Stretch Efficiency</b>	<b>2.00</b>	<b>0.90</b>	<b>0.70</b>	<b>0.40</b>	
<b>Cumulative Total</b>	<b>2.00</b>	<b>2.90</b>	<b>3.60</b>	<b>4.00</b>	

12.19 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

Medium Term Financial Plan - as at January 2024							
Revenue Expenditure	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	Assumptions	
Pay	234.6	241.2	249.2	254.5	259.6	2.5% each year	
Non-pay	87.7	89.4	91.2	93.0	94.9	Average of 2% increase p.a.	
Income	(32.3)	(29.1)	(29.7)	(30.3)	(30.9)	2% p.a from 2026-27 onwards	
Use of Asset Reserve	(0.3)	1.3	0.6	0.0	0.0	Planned use to smooth replacement cost	
<b>Total Net Revenue Expenditure (NRE)</b>	<b>289.7</b>	<b>302.8</b>	<b>311.3</b>	<b>317.2</b>	<b>323.6</b>		
<b>Funding Analysis</b>							
Core Police Grant	163.2	175.6	179.2	182.7	186.4	24-25 PUP Grant added to core. Assumed 2% increase from 2025-26 onwards	
PUP Grant	9.0	0.0	0.0	0.0	0.0		
Council Tax Legacy	9.7	9.7	9.7	9.7	9.7	Fixed amount	
Funding Formula Review	0.0	0.0	2.0	4.0	5.0	Gains phased - floors and ceilings	
Pension Top-up Grant	6.9	6.4	6.4	6.4	6.4	Fixed amount	
Special Grant	2.0	2.0	1.7	1.1	0.0	Op Perth	
Precept	94.8	99.1	103.7	108.4	113.3	£12.96, then 3% increase and 1.5% tax base growth	
Collection fund surplus/(deficit)	0.8	0.0	0.0	0.0	0.0		
<b>Core Funding Available</b>	<b>286.4</b>	<b>292.8</b>	<b>302.7</b>	<b>312.3</b>	<b>320.8</b>		
<b>Balance Sheet Funding</b>							
Use of Reserves	3.3	2.1	2.6	1.9	0	Planned use to fund general expenditure	
<b>Total Funding Available</b>	<b>289.7</b>	<b>294.9</b>	<b>305.3</b>	<b>314.2</b>	<b>320.8</b>		
DRF	0.0	0.0	0.0	0.0	0.0	Funding of capital expenditure	
<b>Net Surplus/(Deficit)</b>	<b>0.0</b>	<b>(7.9)</b>	<b>(6.0)</b>	<b>(3.0)</b>	<b>(2.8)</b>		
Core Efficiency Requirement (BAU)			1.0	1.7	2.1	2.4	This is the level of ongoing efficiencies/reductions expected each year as part of normal business
Stretch Efficiency Target			2.0	2.9	3.6	4.0	Additional efficiencies required to balance the budget shown as ongoing
<b>Total Efficiency Requirements</b>	<b>0.0</b>	<b>3.0</b>	<b>4.6</b>	<b>5.7</b>	<b>6.4</b>	<b>Total cumulative efficiencies required of £19.7m</b>	
Use of Reserves from/(to) / One-off savings			4.9	1.4	(2.7)	(3.6)	Balance to zero over the MTFP
<b>Cumulative Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		

## CFO Conclusion

12.20 Work continues towards achieving and refining the required savings plans to deliver on the Commissioner's 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 Reviews will leave the Force well placed to deliver the required efficiencies required during this planning period, and thereafter achieve a sustainable

financial position.

12.21 There is more clarity in relation to future Home Office funding levels, and the relaxing of Council Tax referendum rules with a £13 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.

12.22 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 force.

12.23 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.

12.24 During the period of the plan to 2028-29, if the efficiency gains are achieved as identified, a balanced position is achieved. The Force has a track record of over-achieving its targets, and if this is the case then these will be used to re-invest in key priority activity and/or increase the reserves of the PCC.

12.25 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.

12.26 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.

12.27 As a consequence of the improved budgeting performance, the introduction of the Annual Departmental Reviews, 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**

12.28 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

12.29 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.

12.30 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**

12.31 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.

12.32 Furthermore modelling does show that the PCC will have sufficient funding in the Reserves to allow for a phased introduction of any required changes. This is considered to be sufficient to allow time for workforce plans to be adjusted.

C Henry  
Police and Crime Commissioner

K Meynell  
Chief Constable

M Buttery  
Chief Executive Officer to the PCC

S Cooper  
Deputy Chief Constable

G Holder  
Chief Finance Officer to the PCC

M Kimberley  
Chief Finance Officer to the CC