



To: Business Coordination Board

From: Chief Executive

Date: 16 December 2016

MEDIUM TERM FINANCIAL PLAN AND 2017/18 BUDGET UPDATE

1. Purpose

1.1 The purpose of this report is to update the Business Coordination Board (the “Board”) on the Medium Term Financial Plan (the “MTFP”) and the development of the 2017/18 budget.

2. Recommendation

2.1 The Board is recommended to note this report.

3. Background

3.1 This report is presented to provide an update on the preparation of the MTFP and the 2017/18 budget in readiness for:

- The review of the proposed 2017/18 precept by the Board in January 2017 and the Police and Crime Panel (the “Panel”) in February 2017; and
- The review of the 2017/18 budget and MTFP to 2020/21, to be considered at the February 2017 BCB meeting and the March 2017 Police and Crime Panel meeting.

3.2 In January 2016, the Police and Crime Commissioner (the “Commissioner”) approved a budget of £130.5m for the 2016/17 financial year, an increase in cash terms of £1.3m compared to 2015/16. The MTFP to 2019/20 presented alongside the 2016/17 budget showed a cumulative gap of £6.6m up to 2019/20.

3.3 In his Autumn Statement, the Chancellor confirmed that the departmental spending plans announced in last year’s Spending Review would remain in place, and efficiency savings worth £3.5bn would be found by 2019/20. The police funding settlement for 2017/18 is expected to be announced in mid-December 2016. In October 2016, a project was launched by the Home Office to develop a new police funding formula and this new formula will probably now come into force in 2018/19.

3.4 The Commissioner and Constabulary remain vigilant in the face of the significant financial challenges in order to achieve both financial balance and the operational policing strategy, via local savings, collaboration and strategic use of assets in particular.

4. Key Principles

4.1 The following key principles for sound budget setting have been employed in the preparation of the budget and MTFP, as presented to the Board on 21 September 2016:

- Transformation will be maximised through innovation and collaboration within policing and with wider partners in order to drive improved outcomes and savings – finances will never be viewed in isolation.
- The Commissioner’s Chief Finance Officer and the Constabulary’s Director of Finance and Resources will take opportunities to find suitable projects and initiatives to help to meet future savings requirements; short-term measures will never be taken at the expense of long-term financial stability.
- The guiding principle in setting the precept is to achieve value for money policing.
- Efficiencies will continue to be sought to put more money into frontline policing, to prioritise police time and run an efficient police force.
- Estates will be managed strategically, including where appropriate the disposal of sites that are surplus to operational requirements to minimise operating costs, and the revenue generation potential of surplus sites will be explored.
- Long-term borrowing shall not be used for short-term needs: the lifetime of loans should closely match the lifetime of the assets that they are financing.
- The transfer of items from one financial account to another (virements) shall only be used to correct budget allocations between cost lines where it is found after budget approval that a particular cost more sensibly sits in a different cost centre; they are not used to mitigate overspends. This will facilitate sound financial management and visibility of any over or underspends.

5. Budgeting Progress

5.1 The budget strategy was detailed in the report to the Board on 21 September 2016. This iterative process has continued since that date. The PCC CFO and Constabulary Director of Finance and Resources continue to meet to further refine assumptions and review the draft budget; regular briefings and updates are provided to the Commissioner. Budget Managers have reviewed their budgets and recommended savings and this process is ongoing.

5.2 The main assumptions for the 2017/18 budget comprise:

- Police officer pay rise 1.0%; police staff pay rise 1.0%
- Increment increase 0.6%
- General inflation 1.0% in 2017/18 and 2.0% thereafter
- Energy cost inflation 3.0%
- Grant decrease 0.5% in 2017/18, 2018/19 and 2019/20 and 1.0% 2020/21

- Council tax base increase 2.0% (number of Band D equivalent properties) in 2017/18, 2018/19 and 2019/20 and then 2.3% in 2020/21 due to additional housebuilding as a result of devolution funding

5.3 As well as the uncertainty over the assumptions above, national issues such as the replacement of the Airwaves system provide further ambiguities. At the time of writing of this paper, the final settlement for police has yet to be announced. In his Autumn Statement, the Chancellor confirmed that the departmental spending plans announced in last year's Spending Review would remain in place, and efficiency savings worth £3.5bn would be found by 2019/20. The Home Office will announce the Police finance settlement in mid-December 2016.

5.4 The table below shows the predicted budget gaps for the MTFP period based on the assumptions in paragraph 5.2 above:

£000	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21
Net revenue expenditure	135,507	138,717	140,928	143,171
Financing	131,688	133,375	135,148	136,790
Budget gap (cumulative)	3,819	5,342	5,781	6,381

5.5 Plans are in place over the MTFP period to ensure a balanced budget position is achievable. Plans are in hand to achieve the required savings; these plans are under constant review and comprise:

- Local savings:
 - Continuous improvement and cost-reduction of processes, for example the use of technology to free up officer and staff time.
 - Strategic use of estates to minimise operating costs, including where appropriate the disposal or letting of sites that are surplus to operational requirements.
- Collaboration savings as part of the Strategic Alliance with Bedfordshire Police and Hertfordshire Constabulary ("BCH"). Latest projections indicate that the following collaborated functions will creating savings of ¹£2.2m for Cambridgeshire across the MTFP period:
 - Human Resources and Learning and Development: a single organisational support function covering recruitment, knowledge and skills building,

¹ Latest projection of savings as at October 2016

managing change programmes, health and safety, and application of regulations, terms and conditions in a unified way.

- Information Management and ICT: the Information Management Department (“IMD”) business case transformation seeks to unify the Information Management functions of BCH police services into a single operational support function. As a key initiative of the BCH Strategic Alliance, the transformation is being delivered to provide effective and efficient organisational support at a reduced cost whilst sufficiently enabling local policing in each force/constabulary. The purpose for creating a three force single ICT Department is to provide a consistent approach to ICT service delivery enabling day-to-day delivery of policing services, a converged infrastructure which brings standardisation and consistency to service users, better cost control and contract management, delivery of enabling solutions to standardise, simplify, self-serve, automate and mobilise value-adding operational and business processes, and cost savings.
- Criminal Justice: a collaborated Criminal Justice (“CJ”) function across BCH to make significant progress in bringing offenders to justice as effectively and as expeditiously as possible by ensuring evidence is available and prepared in line with statutory obligations and within nationally agreed Criminal Justice Service (“CJS”) timescales, by introducing efficient common business processes, deliver savings and ensure that the use of technology and IT solutions have been maximised across the CJ functions within BCH and the wider CJS.
- Finance: further to the implementation of a common finance and HR ERP system across the three forces, collaboration of the finance function will be considered.
- Joint Protective Services (“JPS”) and Eastern Regions Special Operations Unit (“ERSOU”): it is predicted that the ongoing collaboration of these functions will continue to realise savings over the MTFP period.
- Partnership working, including the implications of devolution plans for community safety, exploring how closer working can ensure the increasingly complex needs of Cambridgeshire’s growing population are met using a shrinking public sector budget. As mentioned at paragraph 2 above, the impact of greater funding for housebuilding has been factored into the assumptions, with the council taxbase rising by 2.3% in 2020/21 as a result.
- Transport cost and supplies and services savings, utilising collaborative procurement to obtain the best possible deal and continue to make cash releasing savings

5.6 The Commissioner and Cambridgeshire Fire Authority are exploring the best way to progress the opportunities presented by the Policing and Crime Bill. In recognition of the impending enactment of the Bill, the Commissioner’s Business Co-ordination Board, at its meeting on 21 September 2016, agreed that the Commissioner should

seek to initiate joint work with the Fire Authority, and the East of England Ambulance Service NHS Trust, to develop business cases to determine the:

- most appropriate future governance model for police and fire; and
- best use of the emergency service land and buildings in Huntingdon

5.7 Meetings of the Huntingdon Accommodation Review Board took place on 3 November and 6 December 2016. The terms of reference of the group have been agreed and the status of existing Blue Light estates in Huntingdon and the vicinity has been considered; further work is in progress.

5.8 No savings have been assumed from this initiative in the MTFP period as closer working between the Commissioner and the Fire Authority is at an early stage of development, but the expectation is that it will deliver savings in the longer term.

6. Timetable and Next Steps

6.1 The Constabulary's Finance Team continue to review the budget requirements with budget holders for 2017/18 and departmental budget meetings are due to be held with the Commissioner in January 2017. This exercise and the Local Policing Review are drawing out further savings from service areas.

6.2 The Commissioner's Chief Finance Officer and the Constabulary's Director of Finance and Resources are currently working to identifying options and strategies to present to the Commissioner, to achieve a balanced budget for 2017/18.

6.3 Engagement on precept and budget proposals is ongoing via a Survey Monkey survey, with a link to the survey being available on the PCC website as well as being distributed with the monthly newsletter which is sent to 16,000 email addresses each month. More than 1,000 responses have been received so far with 86% agreeing with the proposed increase. The survey will remain available until mid-January 2017.

6.4 The timetable for the remainder of the budget-setting process is as follows:

- Mid-December 2016: predicted date of confirmation of Police finance settlement by Home Office
- January 2017: precept-setting report for 2017/18 presented to Business Co-ordination Board
- February 2017: precept-setting report for 2017/18 presented to Panel
- February 2017: budget for 2017/18 and MTFP to 2020/21 presented to Business Co-ordination Board
- March 2017: budget for 2017/18 and MTFP to 2020/21 presented to Panel

7. Summary

7.1 Whilst the Commissioner and Constabulary have managed the financial strategy for the coming years, the organisations are not complacent in the face of the significant financial challenges going forward. In order to balance the budget and ensure strong operational performance the Commissioner and Constabulary are continuing to redesign and transform service delivery. The robust budget strategy above is a key

plank in keeping people safe and maintaining police resources and people's confidence in an ever more uncertain environment.

8. Recommendation

8.1 The Board is recommended to note this report.

BIBLIOGRAPHY

Source Documents	Cambridgeshire Police and Crime Commissioner's draft Police and Crime Plan: http://www.cambridgeshire-pcc.gov.uk/work/business-coordination-board/2016-2/bcb-august-11th-2016/ Budget Strategy report presented to BCB 21 September 2016 http://www.cambridgeshire-pcc.gov.uk/work/business-coordination-board/2016-2/bcb-september-21st-2016/
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