



To: Business Coordination Board

From: Chief Finance Officer OPCC

Date: 19th December 2019

UPDATE ON MEDIUM TERM FINANCIAL STRATEGY 2020/21 TO 2023/24

1. Purpose

1.1 The purpose of this report is to provide an update to the Business Coordination Board (the “Board”) on the process for developing the 2020 - 2024 Medium Term Financial Strategy (MTFS).

2. Recommendation

2.1 The Board is recommended to note the progress made on the MTFS to date.

3. Background

3.1 The Constabulary have made good progress on preparing a draft budget for the 2020/2021 financial year. The current position of the Medium Term Financial Plan (MTFP) identifies a gap of £4.3m in funding for 2020/21. This funding gap is reduced to £2.5m by assuming savings of £1.8m being achieved in 20/21.

3.2 At present, approximately 30% of the Cambridgeshire Constabulary budget sits in Collaborated Services. The Bedfordshire Cambridgeshire and Hertfordshire (BCH) budget process for 2020/21 is being more effectively co-ordinated for 2020/21 and known pressures have already been identified. These collaborated units have realised savings of £25.79m since 2012/13, whilst delivering improved operational resilience.

3.3 Government has already announced that the financial settlement to be announced in late December 2019 or January 2020 will be for 2020/21 financial year only. The continued delay in the Government Spending Review is causing challenges in preparing a robust medium term financial strategy and associated plan.

4. Budget Context for 2020/21

- 4.1 The National Political climate and the impact of the forthcoming General Election is creating funding uncertainty. The assumptions we have made are for no increase in main police grant from last year and any funding received for the police officer uplift programme will ensure all costs are fully covered.
- 4.2 It is assumed that Council Tax precept will be capped at 2% and the impact of this increase has been built into our estimates. Should there be any variation to the Council Tax level, the impact will need to be taken into consideration for the budget. An assumption for the council tax base is a 1% increase for 2020/21. The precept setting process will take account of the emerging themes and assist in mitigating inflationary pressures in order to future proof the organisation.
- 4.3 The Constabulary have conducted a Strategic Threat Risk Assessment (STRA) which focusses on both risk and demand for the first time as part of their budget setting for 2020/21. This has identified cost pressures of £223k which have been approved and incorporated into the budget.
- 4.4 In addition, there are national and regional programmes that require investment. This up-front investment is expected to result in future savings and benefits. These investments have been built into the budget.
- 4.5 The strategic review of the Tri-Force Alliance is considering whether the requirement is a high-quality, bespoke specialist provision or a should be a more standardised, 'vanilla' approach, where the focus is cost reduction
- 4.6 Savings identified for 2020/21 are currently being validated to ensure they are deliverable, and this will be kept under close review. If the assumed position changes the budget gap will increase.
- 4.7 Pay increases of 2.5% for both officers and staff has been built into the budget. A vacancy factor of 1% for officers and 3% for staff has also been included across local policing and collaboration.

5. Capital Programme 2020 to 2025

- 5.1 In the medium term, we expect to complete the Cambridgeshire Southern Police Station (CSPS). This will require significant borrowing in advance of any sale or income generation from the current Parkside. The estimated cost of borrowing is included in the MTFP. The scheme must ensure the operational sustainability of policing for the southern part of the county is balanced against the required borrowing and repayments.
- 5.2 There is also the potential requirement to borrow to cover the remaining capital programme which may include additional investment for Monks Wood training facility.

6. Medium Term Financial Planning

- 6.1 The use of reserves has been a significant factor in balancing previous budgets. The current forecast estimates that whilst reserves can be used to balance the budget again for 20/21, unless budget savings are realised and further reductions or additional funding is received, action is required to increase financial sustainability of the organisation.
- 6.2 The current Budget Assistance Reserve forecast balance is £2m at 31 March 2020. If there is a requirement to draw on this in 2020/21, there will be reduced resilience in future years against future pressures.
- 6.3 The financial planning cycle continues throughout the year and the MTFs and the STRA process will need to align in future years for better financial and demand planning. Ongoing preventative work with partners is seeking to reduce demand. This will also inform the Force Management Statement (FMS) process.
- 6.4 Similar to the position of the Budget Assistance Reserve, the Capital reserves have been partly used to fund the capital programme. From 20/21 it is expected these reserves will be fully used.

7. Conclusions

- 7.1 The MTFs and MTFP will need to be reviewed and amended at regular intervals to ensure they reflect the most recent funding levels and are closely aligned with the latest STRA assumptions.
- 7.2 The reduction of the current funding gap of £4.3m to £2.5m is contingent on the delivery of £1.8m savings. The PCC can only recommend the utilisation of the Budget Assistance reserve to address this, although the current balance of £2m is not sufficient to fully cover the gap. It is not prudent to make use of General Fund in the present uncertain financial climate.

6. Recommendation

- 6.1 The Board is recommended to note the progress made on the MTFs to date and the need to take additional actions to ensure future sustainability.

BIBLIOGRAPHY

Source Document(s)	Financial Pressures in Medium Term Financial Strategy 2020/21 - 2023/24 BCB 31 July 2019
Contact Officer(s)	Matthew Warren, Chief Finance Officer, OPCC

