

<b>CAMBRIDGESHIRE POLICE AND CRIME PANEL</b>	<b>Agenda Item No. 8</b>
<b>6 September 2017</b>	<b>Public Report</b>

## **Report of Cambridgeshire Police and Crime Commissioner**

**Contact Officer – Matthew Warren, Interim Chief Finance Officer**  
**Contact Details – [cambs-pcc@cambs.pnn.police.uk](mailto:cambs-pcc@cambs.pnn.police.uk) 0300 333 3456**

### **MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2021/22**

#### **1. PURPOSE**

- 1.1 The purpose of this report is to update the Police and Crime Panel (the “Panel”) on the Police and Crime Commissioner’s (the “Commissioner”) approach to setting the Medium Term Financial Strategy 2018/19 to 2021/22 (MTFS).

#### **2. RECOMMENDATIONS**

- 2.1 The Panel is recommended to note the report.

#### **3. TERMS OF REFERENCE**

- 3.1 Item 6 – To review or scrutinise decisions made, or other action taken, by the Police and Crime Commissioner in connection with the discharge of the Commissioner’s functions.
- Item 8 – To support the effective exercise of the functions of the Police and Crime Commissioner.

#### **4. BACKGROUND**

- 4.1 Under the Police Reform and Social Responsibility Act 2011 and the Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012, the Commissioner must notify the Panel of the precept which the Commissioner is proposing to issue for the financial year by 1 February.
- 4.2 As part of the process to arrive at the precept for 2018/19 the Commissioner needs to agree a MTFS covering the four years from 2018/19 to 2021/22. This report sets out the risks and issues that the Commissioner is considering in agreeing the MTFS.

#### **5. RISKS AND ISSUES**

- 5.1 The MTFS for the period 2018/19 to 2021/22 represents the financial plan required to deliver the objectives and outcomes of the Commissioner as set out in the Police and Crime Plan (the “Plan”).
- 5.2 The Plan has four key themes to its delivery: Offenders, Victims, Community and Transformation, each with a number of objectives and priorities for action. The fundamentals of the Plan is underpinned by the delivery of a transformation programme that will enable the Commissioner and Cambridgeshire Constabulary (the “Constabulary”) to better manage the demands on the service whilst improving the quality of service for victims and the wider community.

5.3 The current MTFS, which covers the first three years of the new MTFS, was balanced, subject to the delivery of a savings plan, with the primary focus being the Constabulary' Local Policing Review. It also has a number of assumptions underpinning it which will be carried forward into the new MTFS.

These are:

- A Council Tax rise of 2% in each year
- Council Tax Base increases of 1.7%, 1.8% and 2% in 2018/19, 2019/20 and 2020/21 respectively.
- Government grant reduction of 1% in 2018/19 and 1.28% in the subsequent two years.
- Staff pay inflation of 1% and general inflation of 1%.

#### 5.4 ***Police and Crime Plan priorities for delivery 2018/19***

The following are the headline priorities for delivery in 2018/19:

- Victims - Consolidation of victim and witness hub, commissioning intentions for victims grant, continued focus on vulnerability.
- Offenders – mainstreaming of the Offenders Hub following Police Transformation Funding work, working with partners to deal with causes of crime, approach to crime and disorder grants.
- Communities – embedding Local Policing Review.
- Transformation – continuing to delivery of Bedfordshire Police, Constabulary and Hertfordshire Constabulary (BCH) and Seven Forces (Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent, Norfolk, and Suffolk) collaboration, implementing the outcomes of the Fire Governance Local Business Case.

#### 5.5 ***Funding***

5.5.1 Council Tax – The current MTFS has a year on year Council Tax increase of 2%, which is the level to which council tax can be increased before a referendum is required. If the Government changed the rules, or the Commissioner decided to undertake an above 2% rise referendum, each additional 1% increase will generate approximately £0.5m income.

5.5.2 Council Tax Base – A 0.5% reduction in each year from the assumptions built in would result in a loss of council tax income of £1.1m.

5.5.3 Government Funding – Since the General Election in June 2017 the Government has stopped its planned review of the Police Funding Formula. The impact of this funding review on Cambridgeshire was unknown but reductions in the formula grant were built into the MTFS. If the Cambridgeshire funding settlement moved to a position of a cash standstill position, i.e. no increase or decrease, this would improve the MTFS by £0.75m in 2018/19 and £5.3m over the MTFS period.

5.5.4 Offset against this is the current Government methodology for allocating grants via the floors and ceilings mechanism. Through this Cambridgeshire loses approximately £4m year on year to the funding floor, the mechanism devised by government which equalises out the funding formula across the police service so no one force loses or gains too much as a result of applying the formula. Therefore, some forces gain more as a result of the equalisation process and some forces, like Cambridgeshire, lose. This has been continuing for nearly 13 years.

## 5.6 **Pressures**

- 5.6.1 Demand Management – Cambridgeshire is a growing County with the population growth projected to continue into future years. Whilst this bring in additional resources, primarily around increased Council Tax it does also bring about service and spending pressures both currently and into the future. The Offender theme of the Plan has the overall aim, working with partners, to reduce re-offending and thereby reduce demand pressures on police service. In addition the Transformation theme is aiming to understand the everyday demands on the service to a greater extent in order to drive through improved operational efficiencies and effectiveness.
- 5.6.2 Demand needs to be managed in two aspects, short term and immediate demand pressures and long-term demand.
- 5.6.3 The long-term demand is being driven by the Cambridgeshire and Peterborough Combined Authority plans for economic growth driving population growth and demand.
- 5.6.4 Budget Pressures – cost pressures coming through include:
- Inflation – there is increasing pressure on pay inflation and general inflation;
  - Meeting Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) expectations;
  - College of Policing professionalism of policing training;
  - College of Policing quality standards – e.g. vetting;
  - ICT investments – there is a need for increased ICT investment to generate operational efficiencies as well as equipping the force with new technologies to tackle the changing face of crime.
- 5.6.5 BCH and Seven Force Collaboration – The current MTFs contains savings for the BCH collaborated units of £3.284m in total for which there is a risk of non-delivery. The greatest risks are in relation to Human Resources with £584k savings over the MTFs period and ICT with £1.223m. The Seven forces collaboration was newly established in 2016/17 with a Seven force procurement unit in place. The MTFs currently has a savings target of £2m through improved procurement but it is important that other opportunities are explored for the Seven force collaboration.
- 5.6.6 Changing role of the Commissioner – The Commissioner is currently out to consultation on a proposal to become the Police, Fire and Crime Commissioner (PFCC) by taking over the governance of the Cambridgeshire Fire and Rescue Service. Government approval for this would increase the likelihood of savings through the estates consolidation programme and will result, in future years, for the PFCC to set a separate precept and have a separate MTFs for the Fire and Rescue Service.

## 6. **NEXT STEPS**

- 6.1 Detailed work on the MTFs will take place during the autumn in particular to refine the Net Budget Requirement and funding scenarios. The key date for the MTFs is the Chancellors budget statement, which in 2017 for the first time, will be in the late Autumn, replacing the previous Autumn Statement. This will set out what the Government’s funding priorities are for the coming year and beyond and will be the start of the process for the 2018/19 funding and Council Tax changes.
- 6.2 The Precept Report 2018/19 will be presented to the Panel at its meeting on 31<sup>st</sup> January 2018 and it is proposed that a budget briefing session is held for the Panel in January 2018.

## **7. BACKGROUND DOCUMENTS**

- 7.1 'Budget 2018/19 and Medium Term Financial Strategy 2019/20 to 2021/22', Agenda Item 5.0, Business Co-ordination Board, 7<sup>th</sup> August 2017

<http://www.cambridgeshire-pcc.gov.uk/wp-content/uploads/2017/08/17-08-07-BCB-Agenda-Item-5.0-MTFS.pdf>