

To: All Members and Officers of the
Staffordshire Police, Fire and Crime Panel.

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My Ref: JP

Your Ref:

Date: 23 October 2018

Dear Sir/Madam,

Staffordshire Police, Fire and Crime Panel - Monday, 29th October, 2018

I have recently forwarded to you a copy of the agenda for the next meeting of the Staffordshire Police, Fire and Crime Panel.

I am now able to enclose, for consideration at next Monday, 29th October, 2018 meeting of the Staffordshire Police, Fire and Crime Panel, the following reports that were unavailable when the agenda was printed.

- d) Medium Term Financial Strategy - Fire & Rescue (Pages 1 - 12)

- c) Medium Term Financial Strategy - Police Service (Pages 13 - 28)

John Tradewell
Secretary to the Panel

Enc



Report to the Police, Fire and Crime Panel – 29th October 2018
Fire and Rescue Authority Medium Term Financial Strategy – Update Report
Report of the Staffordshire Commissioner

1. Introduction

- 1.1 The attached report updates the Panel on progress to develop the Staffordshire Commissioner Fire and Rescue Authority's Medium Term Financial Strategy (MTFS) for the period 2018/19 onwards to 2022/23.
- 1.2 This report identifies the sector specific and organisational challenges for the Staffordshire Commissioner Fire and Rescue Authority.

2. Recommendation

- 2.1 That the Panel note and comment on the contents of the attached report and the planned timescale for development during 2018 and budget setting for 2019/20.

3. Background

- 3.1 The attached report provides background information and the detail of future finances as available and known at this time. An updated MTFS that provides the assurance necessary for future years' expenditure and funding will be produced for the Panel's meeting in January 2019.

Matthew Ellis
Staffordshire Commissioner – Police, Fire and Rescue, Crime

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Medium Term Financial Strategy Update Report 2018/19 – 2023/24

**David Greensmith
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Staffordshire Commissioner Fire and Rescue Authority**

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1 PURPOSE OF REPORT:

- 1.1 The purpose of this report is to provide an update on the delivery of the Medium Term Financial Strategy (MTFS).
- 1.2 A high level timetable is included in this report, to lay out the necessary steps and key meetings to communicate the 2019/20 budgeting process and updated MTFS.
- 1.3 The MTFS for the five year period 2018/19 to 2022/23 was approved under the previous governance arrangements by the Stoke on Trent and Staffordshire Fire and Rescue Authority. This approved MTFS included a savings target of £1.3m to be achieved during the period to 2019/20 and formed part of the published efficiency plan covering the four year period 2016/17 to 2019/20.
- 1.4 This MTFS report provides an update on the savings required to 2019/20 and reviews a number of upward pressures that may result in significant additional costs for 2019/20 and into the medium term.
- 1.5 As part on the budget process for 2019/20 the MTFS will be updated as further information becomes available and assumptions become more certain, up until the confirmation of the budget proposal by the Commissioner (and endorsement of the precept for Fire by the Police, Fire and Crime Panel), in January 2019.

2 CONCLUSION:

- 2.1 The Staffordshire Commissioner for the Fire and Rescue Authority has made significant progress in a relatively short period of time in understanding many of the challenges faced by the Fire and Rescue Service today. The Governance arrangements changed on 1 August 2018 and already in just three months savings are being realised through the streamlined governance arrangements, this will be further supported through the joint work of the collaboration team with work commencing on a joint estates strategy and streamlining services.
- 2.2 The Commissioner is committed to working with the Fire and Rescue Service to support delivery of the required efficiency savings of £1.3m by 2019/20. The national funding picture is reviewed within this report as the Home Office have indicated that the Fire and Rescue Service will be subject to further funding reductions post 2020, in addition to national pay bargaining and pressure on employer contribution rates for the Firefighters 2015 pension scheme.

3 THE BUDGET PROCESS:

- 3.1 The 2019/20 budget process for Staffordshire Fire and Rescue Service has now commenced. As undertaken in previous years the budget will be built using a zero base approach with full consultation being undertaken with budget holders and representative bodies.

3.2 The headline timetable for the 2019/20 budget process is shown below:

<u>Budget Timetable</u>	<u>Task</u>
22 October 2018	Budget Preparation commenced
22 October for 6 weeks	Budget holder consultation
30 November	Draft Budget ready for review
21 December	Draft Settlement Funding released
December 2018 – January 2019	Budget Consultation
31 January 2019	Business Rates Budget Finalised (NNDR1)
January 2019	Police Fire and Crime Panel Budget 2019/20/MTFS Report
February 2019	Precept Notices issued

4 FUNDING BACKGROUD FOR FRA

- 4.1 In 2016 the Authority accepted Settlement Funding from the Department for Communities and Local Government for the four year period 2016/17 to 2019/20 in return for the publication of an Efficiency Plan covering the four year period.
- 4.2 The Settlement Funding included a total reduction in Revenue Support Grant of £4.8m during this period. To date £4.2m of this reduction has now been applied with a further £0.6m included within the MTFS for 2019/20.
- 4.3 The Settlement Funding for 2018/19 is made up of three separate areas:

	2018/19 £m
1% share of Local Business Rates	3.691
Business Rates Top-up	5.846
Revenue Support Grant (RSG)	5.255
Total Settlement Funding	14.792

- 4.3 In addition to the above the above Council Tax is collected by the nine billing authorities in Staffordshire and Stoke on Trent. The current Band D Council Tax is set at £73.53 (£1.41 per week) for the Staffordshire Commissioner Fire and Rescue Authority, resulting in collection of £25.424m for 2018/19 based upon a collection tax base of 341,485 properties and a collection surplus of £0.314m.
- 4.4 The Revenue Budget for 2018/19 was approved in February 2018/19 at £40.216m, alongside the MTFS for the following four years up to 2022/23.
- 4.5 The approved and published Efficiency Plan required £4.0m of savings to be delivered during the four year period to 2019/20, of which £2.2m had been approved and delivered by March 2018.

5 ASSUMPTIONS AND SENSITIVITY ANALYSIS:

- 5.1 All assumptions contained within the MTFS are subject to change however they are useful in establishing the general size of the underlying pressures in the budget.
- 5.2 The current MTFS incorporates the following assumptions:

Description	2018/19	2019/20	2020/21	2021/22
	Actual	Assumed	Estimate	Estimate
Pay Awards - Grey Book	2.00%	2.00%	2.00%	2.00%
Pay Awards – Green Book	2.00%	2.00%	2.00%	2.00%
<u>Non Staff Inflation</u>				
General	2.00%	2.00%	2.00%	2.00%
Utilities - Gas/Electric	5.00%	5.00%	5.00%	5.00%
<u>Funding</u>				
Revenue Support Grant	-16%	-11%	-2%	-2%
Council Tax Base Increase	1.69%	1.30%	1.30%	1.30%
Council Tax Precept Increase	2.75%	2.75%	1.99%	1.99%

- 5.3 The Grey Book pay award has been agreed for 2018/19 at 2% which is in line with budget, in addition a further 1% provision is held as the 2017/18 pay award was only provisionally settled at 1%. Discussions remain ongoing with the Fire Brigade Union and the National Joint Council (NJC) regarding broadening of the role of a firefighter.
- 5.4 A 1% sensitivity for pay awards across all staff is £0.22m.

6 EFFICIENCY PLAN DELIVERY TO MARCH 2020

- 6.1 As part of the Local Government Finance Settlement for 2016/17 single purpose fire and rescue authorities were all offered firm four-year funding allocations in return for robust and transparent efficiency plans that were published in order to enable local residents to scrutinise these plans. In October 2016 the Authority submitted the document to the Home Office to secure this funding offer.
- 6.2 The published Efficiency Plan includes detailed assumptions around the strategy that the Authority would adopt regarding future Council Tax increases, expected business rates increases and population growth during this time. In total the four year settlement included a reduction in Revenue Support Grant of £4.8m.
- 6.3 The published Efficiency Plan included a requirement to save £4m by 2020 (Gap) and the MTFS assumed that the delivery of this saving would result in a balanced budget position by 2020 and importantly it gave the Authority certainty around the funding position and allowed sufficient time to consider a number of options for review and approval by the Fire and Rescue Authority.
- 6.4 To date £2.2m of savings have been approved and fully implemented within the Service. The savings included a reduction in wholetime crews of 40 Posts phased into the establishment from 1 January 2017 (28 posts) and 1 January 2018 (12 posts) which included the removal of two Targeted Response Vehicles (TRV's), in addition a new retained payment system was implemented from 1 January 2017 that also reduced the establishment by 43 posts. The executive team was also restructured during 2016 removing one post from the structure.

- 6.5 The balance of savings of £1.8m was reduced to £1.3m as part of the budget setting exercise for 2018/19 supported by an increase in Band D Council Tax of 2.75% which was 1% above the assumption contained within the Efficiency Plan submission. This increase in Council Tax was possible following a change in the referendum limit which allowed Fire and Rescue Authorities to increase Council tax by 3% (previously set at 2%). (An additional 1% Council Tax raises a further £0.25m, £0.5m based upon a 2.75% increase for both 2018/19 and 2019/20)
- 6.6 The following areas are currently being reviewed in order to deliver the remaining saving of £1.3m:
- A review of Prevention and Protection within the Service has now been complete, anticipated savings, c.£0.2m per annum
 - Management Reduction. This involves a review that has been undertaken with the option to reduce the number of operational management posts, saving up to £0.3m
 - A reduction in funding costs both in terms of MRP and interest payments is forecast to save, £0.3m
 - A review of community safety budgets is being undertaken currently. A more effective and targeted approach should lead to savings of £0.2m per annum.
 - Dragons' Den. The Service undertakes a Dragons' Den budget process where all budget holders are challenged to deliver savings in the current year that will be incorporated into the updated forecast position and also to offer permanent recurring budget efficiency savings for 2019/20, £0.2m per annum
 - Procurement Savings, savings are currently being captured and will be incorporated into the budget setting process, £0.1m

7 RISKS AND OPPORTUNITIES FOR 2019/20 AND INTO THE MEDIUM TERM

High Level Risks:

- 7.1 Pension Contributions – It has been identified by the Governments Actuarial Department (GAD) that there will be a significant increase in the required employer contribution rate into the Firefighters' Pension Scheme 2015. The 2016 Valuation results have indicated that the employer contribution rates will increase on average by 12.6% to 30.2% and is expected to apply from April 2019. The indicative results show that the 16.8% cost cap (this is the percentage of contribution of total scheme costs made by employers) has been breached by 5.2%. An average increase of 12.6% in employer contributions is estimated at around £1 million per annum of additional cost. It is not clear if the Treasury/Home Office will meet any of this additional costs for 2019/20 and beyond.
- 7.2 Fire staff pension contributions into the Local Government Pension Scheme. The next triennial review is due for 2020-23 and the current assumption is that employer contribution rates will remain unchanged at 16.7%, however there may be a requirement to continue to contribute towards any increase in the fund deficit. The contribution made for 2017-20 was £0.9m.
- 7.3 Revenue Support Grant. As at 31 March 2020 the amount of Revenue Support Grant will be reduced to £4.6m. RSG has been reduced by £4.8m since 2016/17 and cumulatively £9m since 2012. The Home Office are indicating that cuts can still be expected post 2020.
- 7.4 Emergency Service Mobile Communications Programme (ESMCP). There remains significant uncertainty around the delivery and required funding for this programme.

The FRA were required to sign up in principle to the original business case which indicated savings in comparison to the Airwave costs but we are still awaiting a new business case and therefore revised costs.

- 7.5 Funding for the capital programme will require increase levels of capital financing and debt. The capital programme has been funded entirely from savings and reserves for the previous five years. This has reduced levels of debt by £6.5m and through the use of internal cash external debt is lower also reducing interest payments.

Opportunities:

- 7.6 To increase the level of Council Tax for 2019/20 and beyond, above the levels included within the current approved MTFS
- 7.7 Business rates Pilot – Staffordshire and Stoke on Trent have applied to take part in the pilot 75% business rates retention programme for 2019/20. If successful the Authority will receive an annual payment of £200,000. The application submitted for 2018/19 was rejected for Staffordshire.
- 7.8 The bringing together of Fire and Police governance through the Office of the Staffordshire Commissioner will enable further collaboration opportunities between Staffordshire Fire and Rescue Service and Staffordshire Police.
- 7.9 The Governance arrangements changed on 1 August and clear plans must now be developed in order to look at delivery of the savings plans included within the approved Business Case. The Business Case identified direct savings of £0.3m following the change of governance which are now being delivered within the Staffordshire Commissioner FRA.
- 7.10 Further savings around Estates Rationalisation and Enabling Services are currently being evaluated by the joint collaboration team and will be implemented across both Services’ when agreement has been reached by the Strategic Governance Boards of both Police and Fire.
- 7.11 Based upon the approved business case submission The Staffordshire Commissioner has provided the following table of expected savings to be delivered by the Chief Constable and Chief Fire Officer through their joint collaboration work.

	2019/20		2020/21		2021/22	
	Governance	Enabling Services	Governance	Enabling Services	Governance	Enabling Services
Police	134	318	134	1211	134	1622
Fire	66	70	66	265	66	355
Total	201	388	201	1476	201	1977

8 GAP:

- 8.1 Based upon the assumption contained within the current MTFS the total gap by 2021/22 is £1.8m of which £1.3m is scheduled to be delivered by March 2020 (see paragraph 6.6 above).
- 8.2 The approved MTFS shows a balanced position for 2020/21 assuming that the level of saving of £1.8m is achieved.
- 8.3 The Gap includes a further reduction in Settlement Funding of 7% per year, and would reduce Revenue Support Grant to £1.8m by 2022/23.

- 8.4 The gap analysis includes the assumption that there will continue to be Council Tax flexibility based upon a 3% referendum limit.
- 8.5 The gap also incorporates the full impact of an increase in employer pension contributions into the Firefighters' Pension Scheme 2015.

Gap Analysis:

	2018/19 Budget	2019/20 Plan	2020/21 Plan	2021/22 Plan
Business Rates 1% local Share	3,691	3,765	3,840	3,917
Business Rates Top-up	5,846	5,958	6,152	6,352
Revenue Support Grant (RSG)	5,255	4,675	4,387	4,099
Council Tax (Precept) Band D	25,423	26,335	27,200	28,044
APPROVED MTFS 2018/19 to 2022/23	40,216	40,732	41,579	42,412
BASE BUDGET	40,716	42,032	43,379	44,212
BASE GAP (Savings Required)	(500)	(1,300)	(1,800)	(1,800)
a) HOME OFFICE FUNDING CUTS				
RSG Down by 7% (MTFS Model 2%)			(720)	(1,388)
b) COUNCIL TAX FLEXIBILITY				
Council Tax - Increase from 1.99% to 2.75%			203	419
Assumes increase in Referendum Limit to 3%				
c) FIREFIGHTER PENSION COST				
Required increase in employer contribution rate (Employer Rate increased to 30.2% in 2015 scheme)		(1,000)	(1,000)	(1,000)
Additional Savings Required (Cumulative)		(1,000)	(1,517)	(1,969)
REVISED GAP (Savings Required)	(500)	(2,300)	(3,317)	(3,769)
EFFICIENCY PLAN SAVINGS DELIVERY	500	1,300	1,300	1,300
REVISED GAP		(1,000)	(2,017)	(2,469)

- 8.6 for The net impact by 2021/22 is a funding gap of £2.469m, assuming that the funding additional pension contributions is all taken by the Staffordshire Commissioner FRA, and the current Efficiency Plan savings of £1.3m are delivered by March 2020.

9 RISK BASED REVIEW OF RESERVES:

- 9.1 The reserves strategy is currently under review by the Staffordshire Commissioner FRA. This refresh is due to be reviewed by the Strategic Governance Board on 9 November 2018 and will be further updated if required during the budget process. The Total Reserve held by the Authority as at 31 March 2018 was £17.2m, however only £10.2m is accessible with £1.9m held as a General Reserve and £8.3m held as an earmarked reserve. The updated reserves strategy will update the position for both of these reserves.

10 CAPITAL FUNDING:

10.1 The approved capital programme for the three years to 2020/21 is as follows:

	2018/19 Budget	2019/20 Estimate	2020/21 Estimate
	£	£	£
Building & Infrastructure Works			
Refurbishment Programme	650,000		518,000
Improvement Works	552,000	211,000	300,000
Total	1,202,000	211,000	818,000
Operational Equipment	529,000	271,200	238,000
Appliances & Vehicles			
Appliances & Specialist Vehicles	2,535,526	1,494,916	250,000
Vans & Cars	165,000	165,000	150,000
Total	2,700,526	1,659,916	400,000
Information Technology			
ICT Hardware, Software Systems & Installations	640,000	350,000	190,000
Total	640,000	350,000	190,000
Other Capital Spend	7,100		
Total Capital Programme	5,078,626	2,492,116	1,646,000
Funding			
Supported Borrowing			
Unsupported Borrowing	3,231,363	1,662,158	1,446,000
Capital Grant			
Use of Specific Reserves (Abbots Bromley)	497,000		
Use of Specific Reserves	1,350,263	829,958	200,000
Total Funding	5,078,626	2,492,116	1,646,000

10.2 Capital Financing Requirement for the above approved capital programme

	2016/17 Actual	2017/18 Actual	2018/19 Budget	2019/20 Plan
Debt Outstanding - 1 April	27,104,705	25,808,309	24,531,492	26,262,916
+ New Borrowing			5,078,626	2,492,116
TOTAL MRP CHARGEABLE	1,296,396	1,276,817	1,499,939	1,651,600
TOTAL DEBT POSITION (Post MRP)	25,808,309	24,531,492	28,110,179	27,103,431
less				
Capital Financing from Reserves			1,847,263	829,958
Total Capital Financing Requirement	25,808,309	24,531,492	26,262,916	26,273,473
In year funding				
In year repayments	500,000	500,000	1,500,000	500,000
LONG TERM FUNDED DEBT	20,050,000	19,550,000	18,050,000	17,550,000
INTERNAL FUNDING	5,758,309	4,981,492	8,212,916	8,723,473

- 10.3 As at the 31 March 2018 the total capital financing required was £24.5m (excluding PFI), of which £19.6m was financed through long term loans and £5m through the use of internal cash. The capital programme has been fully funded by savings and reserves for the last five years, reducing the capital financing requirement by £6.5m and reducing future borrowing cost requirements
- 10.4 The appliances and vehicles programme for 2018/19 and 2019/20 includes the procurement of 11 new appliances. The total cost of this investment is £2.7m and spans a three year period. The first 6 appliances are due for delivery in November 2018.
- 10.5 The appliances and vehicles budget also includes £0.7m for the replacement of one Aerial Ladder Platform. The order has been placed with delivery anticipated during 2019 (timing to be confirmed).
- 10.5 In addition to the approved capital programme for 2018/19, there was a total carry-over of £3.5m from the previous year. This included the carry-over of the transformational funding grant for the Safe and Sound Programme and refurbishment options for Stafford Fire Station (total carry over £2.6m). The Safe and Sound Programme is now being delivered and options for Stafford are to be reviewed with the Staffordshire Commissioner.



Report to the Police, Fire and Crime Panel – 29th October 2018

Staffordshire Police Medium Term Financial Strategy – Update Report

Report of the Staffordshire Commissioner

1. Introduction

- 1.1 The attached report updates the Panel on progress to develop the Staffordshire Commissioner's (SC) Medium Term Financial Strategy (MTFS) for 2019/20 onwards.
- 1.2 This report identifies the sector specific and organisational challenges for Staffordshire Police, and the Staffordshire Commissioner's office.

2. Recommendation

- 2.1 That the Panel note and comment on the contents of the attached report and the planned timescale for development during 2018/19.

3. Background

- 3.1 The attached report provides background information and the detail of future finances as available and known at this time. An updated MTFS that provides the assurance necessary for future years' expenditure and funding will be produced for the Panel's meeting in January 2019.

Matthew Ellis
Staffordshire Commissioner – Police, Fire and Rescue, Crime

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Medium Term Financial Strategy Update Report 2018/19 – 2021/22

**Jane Heppel
Director of Finance**

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1 PURPOSE OF REPORT:

- 1.1 The purpose of this report is to provide an update on the delivery of the Medium Term Financial Strategy (MTFS) for the period to 2021/22.
- 1.2 A high level timetable is included in this report, to lay out the necessary steps and key meetings to communicate the 2019/20 budgeting process and updated MTFS.
- 1.3 The MTFS presented to the Police and Crime Panel in February 2018 identified a funding gap of £13m over the MTFS period *before* funding options were considered. At present, following a further review and examination of all factors, *including* a review of the precept, the projected funding gap is now expected to be c£15M based on current available information. This allows for the unexpected and unwelcome news regarding pension contributions which makes up the bulk of the worsening of that position.
- 1.4 With the ongoing budget process, then the MTFS will be updated regularly as relevant information becomes available, up until the confirmation of the budget proposal by the Commissioner (and endorsement of the precept by the Police, Fire and Crime Panel), in January 2019.

2 CONCLUSION:

- 2.1 The Commissioner has not changed his priorities for targeting funding at visible policing which contributes positively to a feeling of public safety. However in an era of rising demand, unfunded although well-deserved nationally agreed pay awards, the withdrawal of some other partners from key preventative work and inflationary pressures, he recognises that Staffordshire Police must be supported to respond in the most effective way they operationally see fit. This will necessitate hard decisions being made in this and potentially future years.
- 2.2 The Commissioner believes that this report highlights all material risks and opportunities available to the Force and to his team in the Commissioner's office and intends to bring a more detailed report to the Panel in a month's time to allow them to assess the impact of those difficult decisions.
- 2.3 The highlighted risks and issues in this report are significant, however the MTFS does indicate that a sustainable financial position will be achieved over the MTFS period and the Commissioner is fully committed to taking the necessary difficult decisions to achieve this outcome.
- 2.4 The transformation programme and joint working with Fire and Rescue services offers an opportunity to realise significant financial benefits through more streamlined working and collaborative arrangements which will be key to delivering robust finances.

3 THE BUDGET PROCESS:

- 3.1 As in previous years financial and budget planning work is undertaken with the Force to detail the pressures and potential savings at the same time as continuing to horizon scan and monitor the external environment.

Table 1: Budget Timetable

Budget Timetable	Task
August – November 2018	Budget Preparation – Commissioner/Force
November 2018	Police Fire and Crime Panel pre-consultation
December 2018	Provisional Grant Settlement
December 2018 – January 2019	Budget Consultation
January 2019	Police Fire and Crime Panel Budget 2019/20/MTFS Report

4 THE NATIONAL PICTURE:

- 4.1 Policing is in a period of austerity like the rest of the public sector. Whilst central government has actually maintained its overall budget for policing in real terms since 2015-16, an increasing proportion has been reallocated to fund national priorities and counter-terrorism, leaving less for local policing. Funding for national priorities increased by nearly 57% between 2015-16 and 2018-19, whereas funding for routine police activities reduced by 9% over the same period. This represents a significant shift from local policing to national priorities.
- 4.2 Individual Police Forces experience that reduction differently depending on the degree of their reliance on government grant. Commissioners raise on average 36% of their funding from council tax precepts on the councils in their areas. In Staffordshire 38% of funding is raised from council tax precept or freeze grant, meaning the area is 62% reliant on government grant. This compares with Surrey who receives just 43% of their funding from central government grants, and Northumbria for whom government grant makes up 81% of their funding.
- 4.3 The effect of all this on police performance is not easy to discern, not least because of the changing nature of crime over the last decade, with overall crime levels falling but big increases in recorded knife crime and child sexual exploitation and abuse.
- 4.4 In 2017, the Police Inspectorate rated 31 of the 43 police forces as outstanding or good (up from 28 in 2016), but found that a minority were being “overwhelmed” by some aspects of policing.
- 4.5 The report quotes some specific examples:
- the number of arrests fell from 17 per 1,000 population to 14 per 1,000 between 2014-15 and 2016-17 (18%) in Staffordshire this was a fall from 18.6 in 2014-15 to 17.2 in 2016/17, just 7.5%
 - less proactive work is being carried out; there are fewer breathalyser tests, fixed penalty notices and drug related convictions which is also the case in Staffordshire
 - satisfaction levels among victims to the response they received from the police have reduced, also the case in Staffordshire where satisfaction is at 81%.

5 THE LOCAL PICTURE:

- 5.1 In May 2018 the Force prepared its first Force Management Statement (FMS) as required by HMICFRS.
- 5.2 This gives the Chief Constable and Force the opportunity to reflect on its challenges and future direction and link these with its financial expectations. The FMS welcomed the Commissioner's decision to use the precept flexibility to raise council tax for 2018/19 and showed how this would enable the target operating model to change to refocus on CID and Neighbourhood Policing. An extra 50 detectives moved into CID and 144 officers and 20 staff are moving into Neighbourhood roles. This is being developed alongside a co-location approach so that policing staff, where safe and appropriate to do so, are co-located with partner agencies, as has been effective already in some areas of business, such as in the MASH.
- 5.3 The FMS shows that 84,000 crimes were recorded in the 12 months to March 2018 and in 2017 nearly 1.5m calls came into the force. Of the calls answered, callers were however talking on the line for an average of 50% longer than the previous year. This is after implementing a series of measures to ensure that the calls which stay on the line and receive attention are really intended for Police and not for other public services.
- 5.4 The Force has also changed the way it interacts with the public through introducing resolution centres which allow response officers to focus on the most serious cases, by dealing with less serious cases in a different way. This 'channel shift' will continue as the Force optimises the use of virtual tools such as apps – 'Smart Alert' and 'Kash Dash'. Channel shift is likely to be controversial for some depending on age, the places people live, and their ability to adapt, but whilst acknowledging the digital divide further investment in alternative and more flexible engagement channels is essential.
- 5.5 Looking ahead, the Force sees increasing demand from the exploitation of vulnerable people, including child sexual abuse and modern day slavery, and anticipates emerging risk areas including the risk to a growing elderly population. The challenge for the Force will be to respond to all these issues in true collaboration with partners, whilst managing within tight resource constraints.
- 5.6 Offences which have a cyber-enabled element will also be an increasing area of business. The force's cyber strategy and assessment of digital / cyber capability from the front line to the dedicated resources such as the digital intelligence team and regional Technical Intelligence Development Unit (TIDU) are being reviewed.
- 5.7 Improvements to Information and Communication Technology (ICT) remain at the centre of plans to transform the Force and are the key component of the 'modernised policing' priority in the Force's policing plan.

6 ASSUMPTIONS AND SENSITIVITY ANALYSIS:

- 6.1 All assumptions in the MTFS are subject to change however they are useful in establishing the general size of the underlying pressures in the budget.
- 6.2 The updated MTFS presented in this report has been constructed using the following assumptions:

Table 2: Assumptions

Description	2018/19 Budgeted	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
<u>Police Officers</u>				
Pay Award	2.0%	2.0%	2.0%	2.0%
Pension Contribution	24.2%	28.0%	33.9%	33.9%
<u>Police Staff</u>				
Pay Award	2.0%	2.0%	2.0%	2.0%
Pension Contribution	15.5%	15.5%	15.5%	15.5%
<u>Non Staff Inflation</u>				
General (Including Rates)	2.0%	2.0%	2.0%	2.0%
Utilities - Gas/Electric	5.0%	10.0%	10.0%	10.0%
Fuel	5.0%	3.2%	3.2%	3.2%
Estates Contract	0.0%	0.0%	0.0%	0.0%
IT Contract	0.0%	0.0%	0.0%	0.0%
Insurances	2.0%	10.0%	10.0%	10.0%
<u>Funding</u>				
Police Funding	0.0%	0.0%	0.0%	0.0%
Council Tax Base Increase	1.7%	1.3%	1.3%	1.3%
Variable Income Charges	0.0%	2.0%	2.0%	2.0%
Council Tax Precept Increase	6.3%	6.2%	2.0%	2.0%
Savings from Fire governance change	0.0%	0.0%	0.0%	0.0%
Collection Fund Surplus	792,000	633,000	507,000	507,000

- 6.3 This does not commit the Commissioner to any course of action however these assumptions must be viewed as being more likely than any others which is why they have been selected.
- 6.4 We have cross referenced our assumptions on inflation with those of others and believe they are consistent.
- 6.5 The tax base forecasts are a prudent average of the past 5 years although the current and future level of housebuilding may make a significant impact in terms of the total council tax collected.

- 6.6 A proposal in relation to the funding of Police Officer Pension Contributions was made on 6th September 2018 by HMT following the review in 2016. Disappointingly the proposal passes a significant cost and risk to the Commissioner, with no promise of long term funding or support. This is a significant risk to the budgets in this and future years and we are currently lobbying government alongside the NPCC and APCC to ask HMT to review their approach.
- 6.7 The gap estimate assumes that the Commissioner will be able to meet the investments which he promised in setting the precept and budget for the Force in February 2018.

7 GAP ANALYSIS:

- 7.1 There is more uncertainty in the sector than usual at this point in the year, particularly as the pension's announcement referenced at 6.6 was a major change to the two year deal agreed in December 2017, to allow precept flexibility. In return for this the Policing sector as a whole committed to and has delivered £300m of procurement savings and clear reserves strategies for every Force.
- 7.2 Taking the assumptions from Table 2 and working them through against known budget pressures and commitments from the last MTFS there is a sizeable pressure in the coming years:

Table 3: Gap Analysis

	2018/19 Actual	Change between years	2019/20 Proposed	Change between years	2020/21 Estimate	Change between years	2021/22 Estimate
Home Office Grants	(104,936)	0	(104,936)	0	(104,936)	0	(104,936)
Council Tax Freeze Grant	(11,964)	0	(11,964)	0	(11,964)	0	(11,964)
Council Tax Precept	(66,548)	(4,834)	(71,382)	(2,206)	(73,587)	(2,408)	(75,996)
EXPECTED INCOME	(183,448)	(4,834)	(188,282)	(2,206)	(190,487)	(2,408)	(192,896)
Pay Award and Inflation		4,686		4,816		5,344	
Pensions Discount Rate (net)		2,598		3,997		0	
Base Pressures		1,112		2,806		1,688	
Planned Investment in Officers		1,660		0			
FORECAST COST	188,482	10,056	198,538	11,620	210,158	7,032	210,790
INCOME LESS COST	5,035	5,222	10,257	9,414	19,671	4,623	17,894
Planned Cbn to/ (Use of) Reserves / Receipts	(3,034)	3,998	964	341	1,304	(554)	750
BUDGET GAP BEFORE SAVINGS PLANS	185,448	9,220	11,220	9,755	20,976	4,069	18,645
Force Savings Plans	(2,000)	(4,400)	(6,400)	0	(6,400)	0	(6,400)
Planned reduction in capital programme		(326)	(326)	(801)	(1,128)	(1,243)	(2,371)
UNBRIDGED BUDGET GAP	183,448	4,494	4,494	8,953	13,447	2,826	9,873

7.3 This table shows that:

- The gross budget gap is currently of £9.220m in 2019/20. Through reducing the capital programme and with transformational and other savings plans in hand, there remains a gap for the Force and Commissioner to jointly address of £4.494m (approx. 2.4% of gross spend), mainly but not solely arising as a result of the recent pension contribution changes proposed by government.
- In the following year there are further cost rises as a result of pension changes and capital investment and with a lower planned Council Tax rise of 1.99%; this

assumption in respect of Council Tax allied with the overall Home Office police grant (assumed to be cash flat throughout the MTFS period) are wholly dependent on the outcome of the 2019 Spending Review. With these assumptions, this puts a further pressure of £9.414m on the budget taking the total gap to £13.447m.

- 7.4 This financial position could significantly change pending further government announcements and other circumstances changing, hence the sensitivity analysis at Table 5. For example if government grant were to go up by 3% that would raise £3.1m in each year, or, if the government were to fund the police pensions strain that would relieve the pressure by £2.7m in year 1 and £6.6m in year 2. If house building in Staffordshire increases, an additional 1,000 Band D homes in Staffordshire brings in £0.205m per annum in increased council tax.
- 7.5 To the extent that any of the costs currently in the baseline of the Force, or the Commissioner's office, can be directed towards delivering ongoing savings or transformation, and in particular the joint working with Fire, then it may be possible to bridge some of the gap with transformation funding.
- 7.6 The size of the gap also depends on completing the exercise to establish the stretches within the cost base for Policing. However the change in budget requirement since the last MTFS shows that the gap has emerged not from increases in policing costs per se but due to the pensions issue referenced at 6.6 alongside the known and expected pressure from the significant investment in IT, resulting in a larger Minimum Revenue Provision (MRP).

Table 4: Budget Requirement Change from last MTFS

	2019/20	2020/21
Forecast February 2018	188,336	190,814
Current Forecast	192,138	203,758
Change	3,802	12,944
Difference:		
Pensions discount rate	2,598	6,595
Planned contribution to reserves	(786)	1,304
MRP and interest	(62)	2,806
Base Pressures	1,050	0
Other	1,003	2,239
CHANGE IN BUDGET REQUIREMENT	3,802	12,944

Table 5: Sensitivity Analysis on Assumptions

Cost Area	Change	(£ +/-) 000
Police Pay	1%	756
PCSO/Police Staff	1%	375
Utilities	1%	41
Fuel	1%	21
Supplies & Services	1%	137
Police Pension Contribution	1%	596
Police Core Grant Funding	1%	1,049
Precept	£1	346
Council Tax base	1%	707

- 7.7 It is important to note that there is a range of outcomes for each assumption and that it is difficult to propose a clear way forward before the December settlement for 2019/20 and the later Spending Review outcomes are known.

8 RISKS AND SENSITIVITY ANALYSIS:

- 8.1 The precept flexibility for 2018/19 and 2019/20 was conditional on all police forces showing real progress on procurement savings and reserves strategies, and the Home Office view on whether or not this has been delivered remains a risk to future plans.
- 8.2 National schemes e.g. ESN, Single Online Home are being promoted and supported via the Police Transition Fund, Police ICT Company and other central sources of funding. However the purchase of kit and any additional costs which need to be picked up after the Airwave contract is re-let at the end of 2018 will need to be met within the existing funding envelope. Home Office charges and NPAS charges are also being reviewed and this may create a change in the formula which changes cost independently of attempts to manage usage. This comes alongside the need to upgrade the old IT estate and explore means of paying for it which is more sustainable than borrowing.
- 8.3 Demand mix and volumes in future are likely to be effected by some predictable events such as the Commonwealth Games but also in some unpredictable ways e.g. developments at Mill Green and the new rail hub creating a change in the pattern of demand for policing.
- 8.4 Demand in terms of reported crime continues to increase although this plan assumes that demand can continue to be met by prioritising a response to threat, harm and violence.
- 8.5 Other local partners are withdrawing from preventative work and support for vulnerable children and adults. A LGIU report published in September 2018 notes that “Perhaps surprisingly, only 24% of incidents responded to in 2016-17 were crime related. A further 12% were to incidents of anti-social behaviour, but the remaining 64% were non-crime related, the police often attending when other agencies were unable to do so.”
- 8.6 A significant number of policing responsibilities for organised crime have transferred to the ROCU but this service is significantly supported by grant funding which will drop out in 2021/22 and 2022/23. West Midlands (WM) Police who lead in this area for the wider WM area are preparing a MTFs for the service which should enable a clearer determination of the impact on Staffordshire’s expenditure, funding and capabilities.
- 8.7 Brexit may impact on the international facilities and support available to policing in the UK. This is particularly important in the context of intelligence and crime that emanates from outside the UK.
- 8.8 The partnership contracts in Estates, IT and other areas of operational delivery e.g. Custody, naturally expose the Commissioner and Force to risks that we are not able to drive out value for money on those contracts. Whilst this is managed, it will result in financial risks that have to be considered e.g. increases in national living wage.
- 8.9 Nationally policing twice moved to ‘critical’ in response to terrorist activity in 2017; Staffordshire, alongside other forces found it challenging to maintain normal operational activity alongside the heightened policing presence required as part of ‘Operation Temperer’. Armed Policing has seen an uplift in Authorised Firearms Officers (AFOs).

8.10 Sensitivity analysis on the risks

Table 6: Sensitivity Analysis on Risks

Risks	Change	(£ +/-) 000
ROCU Contribution	1%	35
Major Contracted Areas	1%	102
NPAS Contribution	1%	3
Incident such as terror threat (2017)	1%	1,883

9 OPPORTUNITIES:

- 9.1 The bringing together of Fire and Police governance through the office of the Staffordshire Commissioner allows for an acceleration and deepening of the opportunities for savings in enabling services from closer working. As the governance arrangements only changed on 1st August then clear plans are not yet in place to deliver all the detail around the future but the expectation remains to deliver on the savings plans in the Outline Business Case.

Table 7: Governance Opportunities

	2019/20		2020/21		2021/22	
	Governance	Enabling Services	Governance	Enabling Services	Governance	Enabling Services
Police	134	318	134	1,211	134	1,622
Fire	66	70	66	265	66	355
TOTAL	201	388	201	1,476	201	1,977

- 9.2 Over the three years to 2021/22 the governance changes give policing the opportunity to save c£3m which would significantly help in meeting the gap.
- 9.3 There is a significant opportunity by joining together the Estates for both Police and Fire. Work is progressing although total financial gains are yet to be fully quantified and worked through the asset management strategies and contract management arrangements of both bodies.
- 9.4 The implementation of the Niche records management system in Staffordshire Police will offer the opportunity to join up with the Minerva user group and develop internal and external opportunities.
- 9.5 The Commissioner has also taken the opportunity to be the only Commissioner in the country that we know of, to be bidding to be part of the Business rates Pilot scheme for retaining business rates locally in 2019/20. If successful, this will bring £200,000 additional funding into policing in Staffordshire.
- 9.6 The Force is looking at ways of reducing its mileage and use of vehicles in order to reduce the cost of buying, storing, running and fuelling the police fleet. The investment in the new fleet management system made in 2017/18 will enable the information to be captured to ensure this is done in a targeted and safe way.
- 9.7 The Force are always looking to change policing strategy to make it more cost effective and

during 2018/19 they have explored options to reduce the cost of overtime by using officers on plain time more flexibly. They intend to continue to push this opportunity into other areas in the future.

- 9.8 Developments such as Mill Green in Cannock and the rail hub offer the opportunity to request of developers that they consider future policing needs in their development proposals which can both ensure that development is sensitive to reducing policing requirements and provide funding for meeting any unavoidably increased demand.
- 9.9 Both the Force and the Commissioners' office maintain a presence in schemes led by the Police ICT Company and other national procurement schemes to ensure the benefit from any contractual arrangements negotiated on behalf of the sector are realised.
- 9.10 The Commissioner will continue to use the opportunities available from holding capital receipts to release and invest in new ways of delivering services, whilst avoiding being reliant on them as an ongoing source of funding.

10 RESERVES:

- 10.1 CIPFA guidance indicates that a well-managed entity with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves and that Chief Financial Officers should take account of the strategic, operational and financial risks facing the organisation.

Table 8: Reserves Forecast

	2018/19	2019/20	2020/21	2021/22
	Closing	Closing	Closing	Estimate
Police Incidents – 2% of base	2,857	3,821	3,875	4,375
Police unfunded pay increase				
General Reserves	2,857	3,821	3,875	4,375
Transformation costs	2,060	2,060	2,060	2,060
Commissioner's Development Fund			1,000	1,000
Restructuring costs	3,189	689	689	689
Earmarked Reserves	5,249	2,749	3,749	3,749
Insurance Provision	-	100	200	300
LGPS and other Pension Provisions	-	-	-	-
Other provisions	-	-	-	-
Provisions	-	100	200	300
Other earmarked reserves for specific purposes	1,005	1,055	1,105	1,155
TOTALS	9,111	7,725	8,929	9,579

- 10.2 The Commissioner has a Reserves Strategy that is based on safe, but minimal reserve levels, on the basis that he would not wish to hold more public money than is necessary as a set aside for a rainy day. In 2017/18 those reserves were used to support the service at a level beyond what was planned, as a result of slippage in the capital receipts programme; given this position there will be a focus on rebuilding resilience through reserves.
- 10.3 The Commissioner also feels that in the context of rising demand and significant risks in policing as a service, there is a need to build greater resilience in all of the reserves that are held. In setting the reserves strategy and in signing off the accounts for last year it was recognised that the enhancement of reserve levels would be allowed for within the MTFs from 2018/19 onwards.
- 10.4 In Staffordshire reserves are not held to cover items which may be held by other

Commissioners such as capital expenditure, unfunded pay increases and any other provisions. However, the replenishment of earmarked reserves and provisions protects against specific costs being incurred e.g. restructuring costs. There remains however, the risk that given the relatively low level of general reserve, government funding policy, or emergency expenditure could have a severe impact. Addressing this issue is of primary importance to the Commissioner and the Chief Constable.

- 10.5 The Commissioner is welcoming of a conversation around the use of reserves and the establishment of a specific reserve for the Chief and or Directorates to encourage good planning capacity for the Force. This will be discussed as part of the conversation around Financial Regulations and delegations in the New Year subject to improvements in the financial management landscape in the Force.

11 CAPITAL FUNDING:

- 11.1 For many years the capital programme has been estimated based on need; given the overall financial position a stronger link between revenue capacity to repay borrowing, and capital requirement is in place.
- 11.2 In the forthcoming MTFS capital expenditure will be limited to the highest priorities; the revenue assumptions identified in table 3 assume that the capital programme has been limited in this way.
- 11.3 The Commissioner has set the maximum long term loan /net budget requirement at 44% in 2019/20 falling to 40% by 2021/22 which also allows target interest payments to stay below 1.5% of net budget requirement.

Table 9 Capital Funding Targets

Capital Funding	2018/19	2019/20	2020/21	2021/22
	Proposed	Proposed	Proposed	Proposed
Long term Loan to Net Budget Requirement before reduction	32%	46%	47%	44%
Long term Loan to Net Budget Requirement after reduction	32%	44%	43%	40%
Interest as a percentage of Net Budget Requirement before reduction	1.3%	1.4%	1.6%	1.7%
Interest as a percentage of Net Budget Requirement after reduction	1.3%	1.3%	1.4%	1.5%
Reduction in unsupported capital programme	-	-3,511,055	-	4,615,723

- 11.4 If the capital programme is limited as in table 9 then the current prudential indicators for borrowing will be met, as detailed in table 10.

Table 10 Prudential Indicators Update

	Proposed £000	Proposed £000	Proposed £000	Proposed £000
Debt Outstanding 1 April	60,050	69,635	82,959	81,959
New Borrowing	10,835	15,324	-	-
Repayment	(1,250)	(2,000)	(1,000)	(3,600)
Debt carried forward	69,635	82,959	81,959	78,359
Current Prudential Indicators	76,100	84,500	93,700	93,700
Within (Outside) Indicators	6,465	1,541	11,741	15,341

- 11.5 Table 11 provides the updated capital funding plan incorporating the use of a restructuring reserve created from capital receipts and in future years the reintroduction of a limited revenue contribution to capital outlay (RCCO).

Table 11 Capital Funding Update

Capital Funding	2018/19 Forecast £000	2019/20 Proposed £000	2020/21 Estimate £000	2021/22 Estimate £000
Basic Grant funding from government	683	683	683	683
External Grant (ESN)	331	-	-	-
Funding From Receipts	5,526	567	567	567
Funding from Restructuring Reserve		5,225		
Funding from RCCO			250	250
Borrowing Requirement	10,835	15,324	-	-
Funded	17,375	21,799	1,500	1,500

- 11.6 There are detailed plans to realise £18.561m from capital receipts over the course of the MTFS period. £12.001m have been received to date in 2018/19 and the remaining 10 sites have been agreed for disposal with the Chief Constable. Of those sites some will be put to market this autumn with the remaining sites going on sale or being sold to public sector partners from April 2019.

Table 12 Capital Receipts Update

		RECEIPTS		
		Sale Price	Cost of sale	Usable Funds
		£000	£000	£000
Receipts				
Lichfield Police Station		1,700	68	1,632
Ex Headquarters		10,301	412	9,889
		12,001	480	11,521
Funding				
Transformation				1,556
Fire / Police governance				59
SP25 support to capital projects				500
Create usable reserve				2,045
Restructuring Reserve				3,189
Capital programme 2018/19				4,172
Capital programme 2019/20				
				11,521

11.7 The first call on capital receipts is to fund their replacement or other capital investment. In the ordinary course of events, spend on business change and transformation support cannot be capitalised. The Secretary of State's capitalisation directive does not of course change this, however, the Commissioner intends to use the facility allowed to apply capital receipts to pay for Transformation spend. In doing so, this protects revenue reserves from the uneven impact of spend created by a transformation programme and uses the flexibility available to the full to relieve this and future years' revenue budgets.

