



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

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Date: 21 October 2019

Dear Sir/Madam,

Staffordshire Police, Fire and Crime Panel - Monday, 28th October, 2019

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, 28th October, 2019 meeting of the Staffordshire Police, Fire and Crime Panel, the following report which was unavailable when the agenda was printed.

8. **Budget/MTFS Update - Police (Pages 1 - 8)**

John Tradewell
Secretary to the Panel



Medium Term Financial Strategy Update Report 2019/20 (Police)

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Director of Finance
Staffordshire Commissioner's Office / S151 Officer

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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 2019/20 to 2022/23
- 1.2. The MTFS presented to the Police and Crime Panel in February 2019 showed a balanced position for 2019/20, with further savings or income required in future years.
- 1.3. The MTFS allowed for significant investment during 2019/20 in the Commissioner's priorities as well as a challenging savings plan across both the Commissioner's Office and Staffordshire Police. This report provides an update to the financial position over the four year MTFS period.
- 1.4. A high level timetable is included in this report, to lay out the necessary steps and key meetings to communicate the 2020/21 budgeting process and updated MTFS.
- 1.5. With the ongoing budget process, the Commissioner's Office and Staffordshire Police will continue to work closely together, with the MTFS being 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 2020.

2 EXECUTIVE SUMMARY

- 2.1 The Commissioner has not changed his priorities for targeting funding at visible policing which contributes positively to a feeling of public safety.
- 2.2 Current financial monitoring of both the overall group financial health as well as detailed savings and investment plans contained within the 2019/20 MTFS show the delivery of the in-year budget to be on track, with a small underspend forecast for the current year.
- 2.3 The Commissioner and the Chief Constable welcome the recognition from Central Government of the pressures on policing and welcome the additional increase in Police Officer numbers, above and beyond the increases already outlined in the current MTFS by the Staffordshire Commissioner.
- 2.4 The Commissioner had indicated in the current MTFS a planning assumption for a 2.99% increase in the Policing element of the precept for the years 2020/21 onwards, in line with the precept assumption used by the majority of local public bodies. A current consultation, affecting all precepting bodies, indicates a referendum limit of 1.99% from Central Government. This impacts on future years positions as detailed further in the report.
- 2.5 The overall financial settlement, covering Core Policing Grant, Council Tax referendum limits and uplift funding is expected to be confirmed in December.
- 2.6 Whilst the Chief Constable and Commissioner welcome a well-deserved, nationally agreed, above inflation pay award for Police Officers and Police Staff, this award was greater than that budgeted for by police forces across England and Wales. The impact of this in year as well as the update to future pay inflation assumptions will add a pressure to the existing MTFS.

- 2.7 The table below summarises the movements on the group financial position for the current MTFs. Movements have been split between those arising from national policy decisions (outside of local control), and those that can be controlled locally.
- 2.8 There is therefore a significant increase in the gap by 2022/23 of c.£5.7m which is largely driven by updated assumptions that are out of the control of the Commissioner.

	2019/20	2020/21	2021/22	2022/23
		£000's	£000's	£000's
Previous MTFs Position: Gap/(Surplus)	0	725	1,713	5,628
National Changes:				
Pay award pressure	718	1,555	2,392	3,229
Precept Referendum changes		761	1,579	2,459
ROCU Funding		317	317	317
PWLB rate increase		150	150	150
Total National Policy Decisions - Pressure/(Benefit)	718	2,783	4,438	6,155
Local Changes:				
Police Officer Recruitment (Entry Schemes)		343	389	373
Savings, pay & pressures review	(750)	980	2,053	(838)
Total Local Changes	(750)	1,323	2,441	(465)
Revised Position - Gap/(Surplus)	(32)	4,831	8,592	11,317

3 OFFICER UPLIFT

- 3.1 Of the national increase of 20,000 over three years, the government has indicated that the uplift in the first year of this programme will be 6,000. The share for Staffordshire will be 90 of the 6,000 national officers in year one.
- 3.2 Of the uplift numbers for years two and three the current distribution is undecided. Based on the distribution methodology used for the year one uplift Staffordshire could expect to see an additional 300 officers, above and beyond the increases already outlined in the current MTFs by the Commissioner, by the end of year three.
- 3.3 The Spending review announced a one year settlement for policing, but committed to a three year programme of uplifts for Police Officer numbers. As such the allocation to support the uplifts in years two and three, including where this funding is from, is currently unknown.
- 3.4 The national allocation to support the uplift in year one is £750m. However, this is additional funding for policing as a whole and it is likely that an amount of this will be 'top sliced' centrally to support central costs associated with the uplift as well as other government priorities within the policing arena.

- 3.5 Whilst these increases are welcome Staffordshire Police and Commissioners Office will continue to experience financial pressures that are not funded through increasing government grant earmarked for uplifting officer numbers.
- 3.6 The Government commitment is to build from the Police Officer baseline as at the 31st March 2020. Whilst this is welcome, it is prescriptive and does have the potential to remove the ability of the Chief Constable to ‘civilianise’ posts, removing a degree of flexibility from the policing model. Civilianisation is where the Chief Constable deems that a capability does not require warranted powers and the skills set can be resourced by a Police Staff post. This also has the potential to mean that any additional cost pressures can only be offset by increases in the precept, the reduction in Police Staff roles and savings across non pay areas.
- 3.7 For the purposes of this report, and also current internal planning purposes, it is assumed that the additional funding will be fully utilised in the delivery of the uplift in officer numbers. Therefore the impact on the group financial position is net nil.

4 THE BUDGET PROCESS & TIMETABLE

- 4.1 As in previous years financial and budget planning work is undertaken jointly with the Chief Constable to detail pressures, potential savings as well as identifying areas for potential new investment in the Policing model should funding be available to do so.
- 4.2 The table below outlines the proposed budget timetable for the 2020/21 MTFS:

Budget Timetable	Budget Task
August – October 2019	Refresh, review and challenge of current plans. Horizon scanning undertaken
October 2019	MTFS update paper to Police, Fire and Crime Panel
December 2019	Provisional Settlement
January 2020	Final Settlement
January 2020	Public consultation
3 February 2020	MTFS proposals to Police, Fire and Crime Panel

5 NATIONAL CONTEXT

- 5.1 The current MTFS allowed for a 2% increase in annual pay awards. This was in line with the assumptions adopted by the majority of police forces and other local public bodies. Whilst the nationally agreed increase of 2.5% is welcomed, the additional 0.5% above the current 2% assumption will require local funding. The MTFS will be updated to show an assumed 2.5% increase in each year from the current 2%. The table below demonstrates the impact of this additional unfunded pressure:

	2019/20	2020/21	2021/22	2022/23
	£000's	£000's	£000's	£000's
Pay Pressure - variance between 2% and updated 2.5% assumption	718	1,555	2,392	3,229

- 5.3 HM Treasury's decision on the 9th October to increase the cost of borrowing from the Public Works Loans Board by 100 basis points (1%) with immediate effect will impact on the currently assumed capital financing costs of the group. The impact for 2020/21 is estimated to be a revenue pressure of £0.150m based on current plans.
- 5.4 The Regional Organised Crime Unit (ROCU) is a collaboration between the four forces in the West Midlands region. The funding of the unit is partially supported by grant received from the Home Office to support capabilities within the ROCU. At this stage of the planning cycle there is a risk that a portion of this grant will be reduced, given the funding is awarded on an annual basis. The estimated risk exposure for Staffordshire is £317k, although this is considered a worst case scenario.
- 5.5 The Commissioner had indicated in the current MTFS a planning assumption for a 2.99% increase in the Policing element of the precept for the years 2020/21 onwards, in line with the precept assumption used by the majority of local public bodies. A current consultation, affecting all precepting bodies, indicates a referendum limit of 1.99% from Central Government.
- 5.6 Whilst precepting decisions are a decision for the Commissioner on an annual basis, the impact of the changes on the total income from the precept to inform planning assumptions are demonstrated below:

Council Tax Forecast	2020/21	2021/22	2022/23
	£000's	£000's	£000's
Current Assumption (2.99%)	78,305	81,694	85,231
Proposed Referendum Limit (1.99%)	77,544	80,115	82,772
Variance	761	1,579	2,459

- 5.7 The table below summarises the total impact of all national policy decisions on local funding.

<i>National Changes:</i>	2020/21	2021/22	2022/23
	£000's	£000's	£000's
Pay award pressure	1,555	2,392	3,229
Precept Referendum changes	761	1,579	2,459
ROCU Funding	317	317	317
PWLB rate increase	150	150	150
Total National Policy Decisions - Pressure/(Benefit)	2,783	4,438	6,155

- 5.8 For the purposes of planning any additional funding for the uplift in officer numbers is assumed to be neutral to the overall funding position of the group. As clarity emerges over the coming months it is hoped this funding has a positive effect on the overall budget position.

6 LOCAL BUDGET REVISIONS

- 6.1 The previous MTFS contained a challenging savings programme, as well as allowing for investment in strategic priorities. Significant progress has been made to embed these new capabilities within the Staffordshire Police operating model, with these capabilities already providing a positive benefit to capabilities.
- 6.2 This financial year is the first financial year in which savings were incorporated into the MTFS in relation to the change in governance of Staffordshire Fire and Rescue Service. The Commissioner's business case set out a three year vision around efficiency gains for the change in governance. The most recent project benefits realisation monitoring shows that to date, collaboration has delivered £0.816m of savings across Policing, Fire and the Commissioner's Office in year one of collaboration.
- 6.3 In relation to non-pay savings Staffordshire Police has delivered the fifth largest procurement savings during quarter one, and the third largest procurement savings during quarter two based on Home Office data. This is against a backdrop of Staffordshire being the 21st largest out of 43 forces across England and Wales.
- 6.4 The Commissioner and Staffordshire Police recognise the challenge around recruiting significant numbers of new officers, both to replace those retiring as well as those joining as a direct result of the precept increase in previous years. To help meet these recruitment challenges an investment of £343k is required to enhance entry routes via the Degree Holder Entry Programme (DHEP) and also the Police Now entry route. Entry through the PEQF route is funded via the apprenticeship levy and as such is cost neutral, but is not the sole entry route into policing.
- 6.5 Capital financing has been reviewed by both Section 151 Officers. Overall there is expected to be minimal change in 2020/21 aside from the increase to PWLB rates. The review has identified an additional one off pressure in 2021/22 which will be incorporated into the revised budget.
- 6.6 A review of pressures, savings and incremental pay growth has been undertaken. Overall this has resulted in an indicative additional pressure in 2020/21 and 2021/22 with a smaller position in 2022/23. Work is ongoing to further refine this position. This position is before the addition of new efficiency schemes.
- 6.7 The table below summarises the local changes to the current MTFS:

	2020/21 £000's	2021/22 £000's	2022/23 £000's
Police Officer Recruitment (Entry Schemes)	343	389	373
Savings, pay & pressures review	980	2,053	(838)
Total Local Changes	1,323	2,441	(465)

7 CAPITAL

7.1 The current MTFS contained the following indicative capital budgets.

Capital Investment Area	2019/20 £'000	2020/21 £'000 (Estimate)	2021/22 £'000 (Estimate)
Estates	2,814	1,778	1,497
Digital	16,177	4,000	1,700
Commissioner & Partnerships	52	20	20
Equipment	240	100	100
Vehicles	1,000	1,000	1,000
Total	20,283	6,898	4,317

7.2 The only variance on the current year (2019/20) budget is expenditure on Digital. This is due to the final payment due on Staffordshire Police's new records management system (Niche) now expected to be in April 2020, this moving from the current financial year to the next financial year compared to the current MTFS.

7.3 The Commissioner, based on disposals to date, is forecasting additional capital receipts than compared to the current plan. This additional funding will be available as part of the 2020/21 MTFS to either support additional capital expenditure or to reduce long term borrowing that currently supports the capital programme.

7.4 The Group has seen stronger performance in year in relation to treasury management than forecast. This stronger performance has the potential to have a positive impact both on the revenue budget but also the potential to increase future year's capital expenditure.

8 RESERVES

8.1 Reserves are split between general reserves and earmarked reserves. Earmarked reserves include capital receipts received from the sale of surplus assets that are yet to be applied to fund new capital projects.

8.2 The current MTFS, in line with the Commissioners reserves policy, set out to hold three percent of the net revenue budget in general reserves. This reserve is not expected to be utilised in year and at year end will be in line with the Commissioners reserve policy.

8.3 The current forecast underspend, assuming this position is maintained at the year end, will be added to reserves. In line with the themes of the current MTFS around financial sustainability, this underspend could be used to support future years' budgets on a one off basis.

8.4 Earmarked reserves remain in line with the current MTFS. It is anticipated these reserves will be utilised in year in line with the current MTFS assumptions.