

**Durham Police & Crime Commissioner
Medium Term Financial Plan
2020/21 to 2023/24**

Introduction

The prevailing national financial climate has transformed the way in which we perceive the delivery of public services. The Policing Service now has an imperative to evidence value for money and deliver a consistently high level of services with shrinking financial resources. The austerity measures which have prevailed in recent years will continue to require the delivery of value for money and the bearing down on costs.

This plan demonstrates in financial terms how the Police Crime and Victims' Commissioner (PCVC) will strive to achieve his vision for policing in County Durham and Darlington. The plan provides an outline of the demands and consequential revenue resource requirements of the PCVC and Constabulary for the four financial years commencing 1st April 2020. The plan also details the proposed five year capital programme and the revenue consequences of that programme.

Durham Constabulary has embraced a corporate scorecard approach called "Plan on a Page". This strategic financial plan has been compiled in a way which reflects those strategic intentions and has been developed alongside the local Policing Plan.

The plan is owned by both the PCVC and Constabulary. Individual and collective responsibility is exercised over the management of performance and resources. Governance arrangements are in place to ensure that the PCVC holds the Constabulary to account through regular reporting of issues. Within the Constabulary, internal accountability meetings are regularly held to ensure objectives are met.

Purpose

The purpose of this financial planning document is to provide a basis for determining:

- The level of resources which are likely to be available in the future to deliver national and local priorities;
- The future demands upon the revenue budget;
- The impact of external factors;
- The financial implications of partnership working;
- The amount of capital investment which is required to achieve corporate objectives;
- The revenue consequences of such capital investment;
- The future reserve levels of the PCVC;
- The impact of additional demands on the level of council tax levied by the Police Crime and Victims' Commissioner;
- The main financial risks facing the PCVC and Constabulary.

Strategic Planning Principles

In constructing its financial plans the PCVC benefits from following the principles below:

- *Ensure that finance contributes to improved outcomes by ensuring finance follows priorities.*
- *To ensure overall financial stability.*
- *Set a comprehensive, timely, balanced and realistic budget;*
- *Take into account pay and price inflation, risk management, and achievability of savings targets;*
- *Follow its treasury management policy;*
- *Follow its reserves policy;*
- *Raise awareness of and communicate key financial messages both internally and externally;*

The medium term financial plan has been compiled following the established principles that have been adopted by the PCVC and within the following further conditions:

- *Budgets set will be affordable and not jeopardise the financial stability of the PCVC in either the short or long term;*
- *Precept increases will be kept to a minimum consistent with the provision of effective and efficient services;*
- *All spending plans will need to demonstrate that they can achieve value for money and support best value principles;*
- *Spending will be agreed only when the necessary funding is identified and approved;*
- *External funding will be sought wherever it can be used in a sustainable manner that does not lead to unforeseen costs to the PCVC;*
- *The PCVC's finances will be publicised to stakeholders in an open and transparent manner;*
- *Customers and citizens will be involved in the budget process.*

Key Strategic Areas & Objectives

The approach to strategic planning is now shaped by the prevailing drive to demonstrate value for money in a time of reducing resources. The Constabulary has created a strategy map (Plan on a Page) based on a balanced scorecard approach. This has enabled colleagues across the Constabulary to understand how their activities link with and support delivery of the key outcomes required that will help to achieve the PCVC and Constabulary's Vision.

The Vision:

“Durham Constabulary will deliver excellent policing inspiring confidence in victims and our communities by protecting neighbourhoods, tackling criminals and solving problems around the clock, proud to deliver value for money policing across County Durham and Darlington.”

There are two key objectives that Durham Constabulary are focussed on delivering for the citizens of County Durham & Darlington:

Inspire Confidence

Consistently deliver excellent levels of satisfaction

The strategy map is structured into four key areas which enable the Constabulary to identify:

- What we need to be best at (Core Deliverables),
- What we need to help us (Enabling Factors),
- The resources we need (Resources),
- Use the money effectively (Value for Money).

Each key area describes a number of strategic objectives that informs where the PCVC and Constabulary need to focus their attention and resources. The process collects each strategic objective and identifies key linkages ensuring alignment to the corporate vision. The strategic objectives supporting each key area are:

- What we need to be best at (Core Deliverables):
 - Protecting Neighbourhoods - 'Ensure proactive approaches, with partners, to identify & protect vulnerable people',
 - Tackling Criminals - 'To have fewer victims and reduce re-offending',
 - Solving Problems – 'Ensure consistent approaches, with partners, to prevent harm and deter people from becoming involved in crime',

- What we need to help us (Enabling Factors):
 - Effective Service Provision
 - Information Management,
 - Organisational Attitudes and Behaviours.

- The resources we need (Resources):
 - Our People – ‘People who are supported and have the capacity and capability to deliver’,
 - Our Stuff – ‘Have the right resources to help us do the job’.

- Use the money effectively (Value for Money):
 - Ensure a balance budget,
 - Be financially innovative,
 - Identify & consider collaborative opportunities which bring tangible benefits & realise efficiencies
 - Prepare for funding changes & austerity
 - Reduce overtime and other major overspends
 - Have a fully costed & funded capital plan with aligned capital investment,
 - Have a suitable medium term and long term financial plan with identified contingencies.

Revenue Expenditure

Financial Planning Assumptions

The key income planning assumptions have been driven by funding announced in the provisional government figures and have been collated on a table and explained in detail in the previous section on police service funding.

The key expenditure related planning assumptions are reflected in the attached table

	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24
Officer Pay Inflation (from September each year)	2.5%	2.5%	2.5%	2.5%
Officer Pension Contribution Increase	0%	0%	0%	0%
Staff Pay Inflation	2.5%	2.5%	2.5%	2.5%
Police Staff Pension Contribution Decrease (including lump sum payment)	2%	0%	0%	0%
Police Officer Vacancy Factor	0%	0%	0%	0%
Police Staff Vacancy Factor	4.0%	3.0%	3.0%	3.0%
Energy & Fuel Inflation	1.5%	1.5%	1.5%	1.5%
Other Non-Pay Inflation (except where contractually based)	0%	0%	0%	0%
Council Tax Increase Band D	£10	1.98%	1.98%	1.98%
Tax Base Growth	1.0%	1.0%	1.0%	1.0%
Other Income Inflation	0%	0%	0%	0%

In relation to Government grant, assumptions for 2021/22 and 2022/23 are based on estimated uplift figures using standard capitation rates.

Work Force Planning

The following table shows expected workforce numbers at the end of each financial year.

	Outturn 2019/20	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24
Officers	1,150.0	1,198.0	1,288.0	1,356.0	1,356.0
PCSO's	145.0	145.0	145.0	145.0	145.0
Staff	997.0	999.5	992.5	992.5	992.5
Apprentices	55.0	55.0	55.0	55.0	55.0
PCVC	16.8	16.8	16.8	16.8	16.8
Total FTE	2,363.8	2,414.3	2,497.3	2,565.3	2,565.3

These figures are kept under continuous review.

This table considers the impact of all the income and revenue assumptions and identifies the Budget 2020/21 for approval.

Budget Heading	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24
	£'000	£'000	£'000	£'000	£'000
Employees	104,058	111,067	117,657	123,678	129,520
Premises	4,315	4,650	4,700	4,749	5,204
Transport	2,039	2,172	2,200	2,226	2,225
Supplies and Services	9,076	10,926	10,931	10,880	10,783
Joint & Other Authorities	2,081	2,086	2,238	2,240	2,136
<u>less</u>					
Income					
Customer & Client Receipts	(2,216)	(4,084)	(4,472)	(4,589)	(3,964)
Collaboration income	(1,003)	(745)	(745)	(745)	(745)
Secondment Income	(494)	(401)	(249)	(256)	(263)
Interest	(75)	(125)	(125)	(125)	(125)
Special Grants	(585)	(582)	(582)	(582)	(582)
<u>plus</u>					
Contribution To/ From (-) Reserve	0	0	0	0	0
Capital Financing Costs	3,733	5,943	5,317	3,520	328
Police Constabulary Costs	120,929	130,907	136,870	140,996	144,517
Victims Commissioning Grant	(728)	(728)	(728)	(728)	(728)
PCVC commissioning	1,555	1,555	1,555	1,555	1,555
Community Safety Grant	478	478	478	478	478
PCVC Costs	943	1,009	1,030	1,051	1,073
Net Expenditure	123,177	133,221	139,205	143,352	146,895
Funded by					
DCLG Grant	(37,173)	(39,805)	(39,805)	(39,805)	(39,805)
Police Grant	(43,034)	(46,406)	(53,217)	(56,200)	(56,200)
Ring-fenced Grant	0	(1,896)	0	0	0
Council Tax Support Grant	(6,110)	(6,110)	(6,110)	(6,110)	(6,110)
Pension grant	(1,260)	(1,260)	(1,260)	(1,260)	(1,260)
Council Tax	(35,600)	(37,744)	(38,813)	(39,977)	(41,176)
Total Funding	(123,177)	(133,221)	(139,205)	(143,352)	(144,551)
(Surplus) / Deficit	-	-	-	-	2,344

Comment:

- The latest HMIC Value for Money Profiles has been used to identify areas for potential efficiency savings.
- A detailed workforce plan has been produced which compliments this plan.

Scenario planning

The Home Office still have plans to review the funding formula allocation between Forces in future years. Our understanding, based on previous exemplifications published in 2015, is that Durham could potentially lose up to £10m per annum from the changes. A separate report will be produced which outlines how such a potential funding reduction would be financed.

Capital Expenditure

The enclosed capital summary sets out proposed expenditure for capital projects for 2019/20 to 2023/24 and the associated funding options. The PCVC received £0.507m in 2019/20 and expects to receive £0.133m in future years.

There are a number of options open to the PCVC to funding capital expenditure and these include capital receipts, use of reserves or revenue contributions to capital. The balance of funding would be generated from borrowing which would incur interest charges at prevailing market rates (unless the PCVC enters into specific term borrowing arrangements such as fixed interest rates over a fixed borrowing term).

The impact of capital receipts generated from the sale of land owned by the PCVC for development of commercial or housing purposes has been included in the funding.

Revenue Impact of the Capital Programme

The PCVC can determine to meet part of the capital requirement through applying capital receipts, making revenue contributions, applying reserves, and/or (under the provisions of the Prudential Code) borrowing.

The associated future capital financing charges as a result of this provisional programme have been determined based upon the expected lifespan of the asset, generally as follows: Motor Vehicles (4 years); ICT Systems (5 years); ANPR and other Equipment (10 years); Minor Building Work (20 years); Major New Buildings (40 or 60 years).

Grant is applied to those assets with the shortest lifespan. The capital receipts arising from the sale of the police headquarters' site have been used to partly fund the capital programme from 2016/17 onwards.

The following table contains a summary of capital expenditure by asset category.

	Outturn 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000
Expenditure					
Buildings: Major works	740	1,835	6,107	7,968	0
Buildings: Minor Works	793	1,555	590	500	500
Buildings carry forward from prior year	0	340	0	0	0
Vehicles	1,539	1,350	1,600	1,600	1,300
Vehicle carry forward from prior year	0	0	0	0	0
ICT	2,775	1,395	2,680	1,375	1,940
ICT carry forward from prior year	0	1,400	0	0	0
Equipment	75	50	50	50	50
Total	5,922	7,925	11,027	11,493	3,790
Funding					
Capital Grant	0	0	0	794	1,548
Special Grant	129	30	354	0	0
Capital Receipts	0	2,535	5,939	7,762	100
Revenue Contribution	5,793	5,360	4,734	2,937	0
Strategic Reserve	0	0	0	0	2,142
Self-Financed Borrowing	0	0	0	0	0
Total	5,922	7,925	11,027	11,493	3,790
Capital Financing Costs					
Minimum Revenue Provision	325	325	325	325	70
Revenue Contribution	5,793	5,360	4,734	2,937	0
Contribution from Reserves	0	0	0	0	2,142
Interest Charges	3	258	258	258	258
Total	6,121	5,943	5,317	3,520	2,470

The most significant capital expenditure is explained over the next few paragraphs and a table showing detailed planned expenditure between 2019/20 and 2023/24 is included at the bottom of this section.

Estates

The primary focus for the Estates programme will be outlined in the new Estates Strategy and will be subject to further consideration by the PCVC.

There will still be a regular buildings improvement and maintenance programme undertaken for the rest of the Estate.

Fleet

The fleet replacement programme is kept under constant review and it is planned to spend a relatively consistent figure each year on vehicles.

ICT

The new ICT Strategy will outline the capital schemes to be delivered over the period covered by the plan. A large proportion of the ICT expenditure in the capital

programme relates to mobile working. Another key scheme is the national requirement for all Forces to upgrade their emergency services communications.

The following table includes details of new capital expenditure by asset category.

Planned Capital Expenditure from 2020/21 to 2024/25

	Outturn 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000
Expenditure					
Property capital carry forward from prior year		340			
Major Works Projects	740	1,835	6,107	7,968	0
Minor Works Projects	793	1,555	590	500	500
Estates total	1,533	3,730	6,697	8,468	500
Motor Vehicles	1,539	1,350	1,600	1,600	1,300
ICT Capital carry forward from prior year		1,400			
National Requirements	211	45	1,800	0	0
Infrastructure Technology Refresh	449	455	800	825	985
Digital Evidence	488	0	0	0	150
Mobile Working	728	0	0	325	325
Client devices	210	695	0	25	450
Business Applications	689	200	80	200	30
ICT total	2,775	2,795	2,680	1,375	1,940
Equipment	75	50	50	50	50
Grand Total	5,922	7,925	11,027	11,493	3,790

Key Risks

The following are the key risks contained within the plan

Risk	Mitigating Action	Person Responsible
Loss of funding due to reallocation between Forces	<ul style="list-style-type: none"> Workforce planning to reduce officer/staff numbers Cost reduction plans to be developed and implemented Maximise precept income 	<ul style="list-style-type: none"> PCVC Chief Finance Officer
An ageing estate portfolio putting increased pressure on facilities management budgets	<ul style="list-style-type: none"> Agree and deliver capital programme time Effective project planning 	<ul style="list-style-type: none"> PCVC Chief Finance Officer / PCVC
Police officer capacity to respond to service demands	<ul style="list-style-type: none"> Allocating resource to priority activities 	<ul style="list-style-type: none"> Commanders/Exec

Risk	Mitigating Action	Person Responsible
	<ul style="list-style-type: none"> • Deliver agreed training programme. • Productivity measurement and management • Strategic Assessment agreed and implemented 	
Flexibility to move police resources to areas of need	<ul style="list-style-type: none"> • Plan on a page promulgated across the organisation • Regular Force threat and risk meetings • Update workforce plan • Targeted reviews to be carried out 	<ul style="list-style-type: none"> • Force Executive / Tasking & Coordination
Demand continues to rise	<ul style="list-style-type: none"> • Introduction of new Strategic Demand Management Command • On-going crime prevention/detection and problem solving initiatives. • Productivity measurement and management • Deliver agreed training programme • New shift pattern introduced for officers and PCSOs 	<ul style="list-style-type: none"> • Heads of Commands
Collaboration may require up-front costs of change	<ul style="list-style-type: none"> • Identify 'invest to save' budget/reserve 	<ul style="list-style-type: none"> • PCVC Chief Finance Officer/Exec/PCVC
Move to multiyear pay award	<ul style="list-style-type: none"> • Include in planning assumption • Calculate cashflow loss 	<ul style="list-style-type: none"> • PCVC/CC Chief Finance Officer
Uncertainty in relation to future pension costs	<ul style="list-style-type: none"> • Police officers, request grant funding (national issue) • Staff, identify corresponding savings 	<ul style="list-style-type: none"> • PCVC/CC Chief Finance Officer

Risk	Mitigating Action	Person Responsible
Adequate future funding of uplift	<ul style="list-style-type: none"> • Ensure influence, where possible, of national financial position 	<ul style="list-style-type: none"> • PCVC/CC Chief Finance Officer

Monitoring and Review

This financial plan will be subject to continuous review and forms part of the overall planning processes within the PCVC and Constabulary. This will ensure that an accurate future financial forecast is maintained to give an indication as to the affordability of spending plans which in turn will be fed into the corporate planning process.

The content of this plan will be kept under review as part of normal medium term financial planning procedures.