

Chief Constables' Council

Finance Coordination Committee Update

Police Settlement and Professionalising Police Financial Capability.

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1. INTRODUCTION

1.1 This paper addresses three related areas: (1) The outcome of the submissions made to the 2018/19 settlement, (2) The learning from this work and (3) Actions needed to address future work.

2. POLICE SETTLEMENT 2018/19

2.1 Chief Constables have seen the settlement for 2018/19 and the indicative position for 2019/20. An analysis of this by the Police and Crime Commissioners Treasurers was shared in December. In summary a number of observations can be made on the settlement.

- The overall position is better than received in 2017-18. All forces, provided Police and Crime Commissioners (PCCs) select to raise precept to the maximum, will see growth in their budget.
- The settlement does however fall short of what policing set out it would need and it is likely difficult choices will need to still be made by Police and Crime Commissioners and Chief Constables and Chief Constables collectively.
- The proportion of grant in force allocations will not fall in 2018-19.



- The Police Transformation Allocation is as expected at £175M.
 - The amount of reallocations has increased by £133 million to 10.9% of government police funding from 9.5%. There is a substantial increase against Special Grant and Home Office Technology.
- 2.2 The Emergency Services Mobile Communications Project (ESMCP) was said to be included within the 2016-17 settlement (although not separately identifiable) was the Police share of £1bn funding for ESN.
- 2.3 In 2016-17 ESN “core costs” worth £80m were top-sliced from the settlement and were also intended to fund the costs of control room upgrades. At the time of the 2016-17 settlement the indication was that these “core costs” were likely to increase significantly in 2017-18. The 2017-18 settlement included approximately £100m of funding for ESN under the heading ‘Police Technology Programmes’.
- 2.4 However, since then the ESN project has fallen an estimated 15 months behind schedule. This delay means that forces may need to extend their Airwave contracts, which is likely to have associated costs in addition to the delayed savings from ESN. A paper circulated earlier in the year estimated the cost of a 12 month delay at £400m. It is not yet clear how these additional costs will be met and by whom.
- 2.5 Approximately £75m of the additional Police Technology Programmes reallocation is assumed to be for ESN.
- An assumption of an increased tax base of 1.34% for England and 0.8% for Wales is higher than the previous assumption of 0.5%. The Government has decided to use this OBR measurement as they feel it better reflects actual council tax base growth across England and Wales. Growth above this level in local tax base will be additional funding for forces.
 - The flat rate precept rise has reversed a policy position to enable lower precept authorities to close to the average. The flat rate, if adopted to the maximum by PCCs, will sustain the current gap. Lower precepting authorities with poorer tax bases have secured lower growth. The growth of budgets ranges from 3.5% to 1.6%. There is now a significant differential between forces in the next two years.
 - In 2018-19 the NICC grant for the City of London remains at £4.5m. The NICC grant for MOPAC (which used to be referred to as the Met special Payment) is also unchanged at £173.6m in 2018-19.
 - Pay rises will be expected to be met from the additional resources the settlement allows access to.
 - The Review of Core Grant Distribution will now be addressed as part of a future spending review. There is no date set for this event.

- The Counter Terrorism settlement will be set out by NCTPHQ and Counter Terrorism Coordinating Committee
- 2.6 The settlement identified two commitments government wishes to follow in 2018-19 as conditional on the 2019-20 settlement. These relate to acceleration of mobility applications to increase police productivity and increasing procurement savings and a national centre of excellence on back office costs. There will be a need to assess how to address these matters with government in the New Year although the ambitions on procurement and back office costs are based upon work underway by the service, included in the submission and reported at the last Chief Constable's Council.
- 2.7 These areas are being discharged through the National Commercial Board (NCB)
As reported to the last meeting, the Home Office continue to place significant reliance on this work to evidence continued efficiency in Policing. At the end of the last quarter Forces were collectively reporting savings of £244M against the national £350M target. Within the Provisional Settlement announced in December, further savings of £100M were referenced which work to date suggests is feasible.
- 2.8 The procurement strategies and actions will be discussed by NCB in February. There will be a number of "quick wins", as well as recommendations for medium to longer term opportunities for Forces. Recommendations will come to Chiefs following this to seek active support to deliver those savings identified.
- 2.9 A Strategic Outline Case is being prepared for April to set out the options for sharing support services, building on what has already been achieved to date. While these savings are more difficult to achieve, there is a clear expectation from the Home Office that these options are pursued.
- 2.10 Delivering these savings require an embedded infrastructure that outlasts one off funding. NCB are considering the options for this, building on the regional collaborations in place. Again the Home Office are pushing on this work, referencing a "national procurement hub" in the settlement. The work to date has not concluded on how best to deliver this support.
- 2.11 NCB continue to work on developing improved decision making information and is developing a strategy with support from HMICFRS. The starting proposition is that Policing needs appropriate information, not necessarily more.
- 2.12 Chiefs will continue to be updated and consulted as this work progresses.

3. LESSONS LEARNED

- 3.1 The submission supporting this settlement was the most comprehensive submitted by the service in recent times and was an effective collaboration between Chief Constables and Police and Crime Commissioners. Its medium term impact on government has been positive as policing has been seen to have one voice and to have worked more effectively with the Home Office.

- 3.2 The submission has however not achieved what policing sought and has presented considerable difficulties to produce. There is an immediate need now to begin work to reinforce our submission for 2019/20 and to prepare for a future Spending Review.
- 3.3 At Appendix 'A' is the initial debrief document from the work which will be subject to a more in-depth discussion with members of the Strategic and Tactical Groups that oversee the work. Chief Constable's observations are welcome at this stage. It is likely a proposal will be produced for Chief Constable's and PCCs on how this should be managed in a more sustainable operating model however the considerable absence of data is a matter that will need to be addressed systematically outside the coordinating committee.

4. FINANCIAL EXCELLENCE

- 4.1 Whilst national work on submissions will need to be addressed the services financial capabilities remain subject to concern by government and HMIC. It is reputational and operationally important that progress is made in this area.
- 4.2 Members of the Finance and Co-ordinating Committee have been working with CIPFA to create the "Finance Excellence in Policing" programme, which brings together existing and new initiatives. If supported, this will be aligned with the support provided through the College of Policing. This will bring Policing into line with other sectors, including central government, health and local government who have financial excellence academies.
- 4.3 It should be noted that apart from providing programme management and one place for the dedicated Finance Leadership Academy, the onus will be on individual Forces to invest in developing their own Finance teams - but added national value will be achieved by acting together.
- 4.4 The attached Appendix 'B' sets out the ten component elements of the programme that makes up the intended "Finance Excellence in Policing" initiative. While it is likely that these will be added to and amended over time, the intention is that this will be driven by the needs of those CFOs working in Policing.
- 4.5 It is notable that some of these elements already exist for Policing and others exist for other sectors. Equally that some Forces are already investing significantly in some areas, such as Business Partnering and the Financial Management Diagnostic. There has been some limited peer review work. Collectively, we are also developing our benchmarking capacity but without the benefit of common process or management information.
- 4.6 The proposition would mean that the Finance and Co-ordinating Committee would take a firm grip of the professional offer for finance staff in policing and ensure that it was "fit-for-purpose", with each element complimenting the overall offer. For example, making sure that conversations about data collection supported the discussions on shared services which in turn facilitated the peer to peer discussions on national or local improvements, with training as necessary.
- 4.7 This would be facilitated through the existing CIPFA "Police and Fire Committee" chaired by Nigel Hiller and would create significant opportunity to involve second and third tier finance professionals. This should in turn improve the depth of capacity the Finance and Co-ordinating Committee can call upon to support its national work, building a national network.

- 4.8 It should be noted that the National Audit Office report on financial resilience in policing made recommendation to improve financial capability in 2015. As a sector of localised organisations it is not immediately obvious where responsibility for delivering this lies. As such, Home Office and HMICFRS will be very supportive of this work. The College of Policing must also be a key partner.
- 4.9 The first steps would be to create a Programme Management Office to provide the capacity to design and implement the changes needed. This would be coupled with investment in the Finance Leadership Academy, providing a space for one existing or aspiring CFO from each Force area (this could be the PCC CFO). This is intended to provide an impetus for the change needed.
- 4.10 Thereafter, it would be expected that each Force would actively participate and invest in the programme itself, almost certainly with the benefit of using the Financial Management Diagnostic to identify areas of strength or weakness. Again, with all Forces participating this would have the added bonus of facilitating the partnering of Forces for helpful peer support.
- 4.11 The first steps identified will cost £200k. If agreed, it is anticipated that this will be funded by existing Police Transformation funding in the first year. Finance Coordination Committee will work with CIPFA and College of Policing in year one to establish operating costs for the future which will require support by forces which we anticipate to not exceed this sum and to be provisionally apportioned by net force budgets subject to benefits assessment.
- 4.12 While further investment will be the responsibility of each individual Force, it is recommended that this is driven by local assessment but with national cooperation facilitated through the Finance and Co-ordinating Committee to maximise value (for example co-ordinating joint training).

5. RECOMMENDATIONS

- 5.1 Chief Constables are asked to:
- A. Note the details of the settlement and any observations on the debrief report.
 - B. Support the proposal for the Financial Excellence Centre to be paid for by Transformation Funding in year one with a commitment in principle to fund subject to a more detailed paper.

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