

## **MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

### **1. INTRODUCTION**

- 1.1 The purpose of this report is to introduce the Medium Term Financial Strategy (MTFS) for 2008/09 to 2012/13.
- 1.2 This is the second year that a fully articulated MTFS for the Force and the Authority has been developed for detailed consideration prior to setting the annual budget. The first MTFS prepared last year was well received and contributed to positive comments in both District Audit and HMIC reports about the direction of travel in terms of improvements in the financial management arrangements being implemented by the Authority. The MTFS is now a vital aspect of the Force and Authority's financial and resource planning process. Members have and will continue to be provided with updates as officers will regularly report on external and internal factors affecting the assumptions within the financial forecasts to the Finance Committee.
- 1.3 The document seeks to set out a clear overriding strategy for consideration by the Authority, outlining the underlying assumptions and parameters, discusses the level of reserves and unfunded risk and other factors on which the plan is based. This year the process has been developed and early drafts of the document have been considered at the Resources Workshop on 18 January 2008, by the Finance Thematic Panel, by the Chairs Strategy Group and finally by the Performance Committee on 29 January 2008.
- 1.4 The Force has embarked on a programme of Business and Workforce Modernisation using monies from the Performance Improvement Reserve (PIR) to support short term investment to generate long term savings whilst seeking to achieve the optimum workforce mix, maintaining and if possible building capacity and implementing the most efficient systems and processes. The need for improvement in processes is also incorporated into proposals for new investment in custody facilities which again are included in the MTFS.
- 1.5 The MTFS allows scenario based planning enabling the implications with and without assumptions using projected information on the Business and Workforce Modernisation (BWFM) project and Capital investment proposals to be examined.
- 1.6 The MTFS seeks to provide comprehensive information on the backdrop against which Members will be asked to make decisions on spending plans for 2008/09 and the level of precept for the coming year.
- 1.7 It will remain a living document that will be subject to regular update and review and a vehicle which can bring together the resource implications of key strategies such as Human Resources, IT/IS and Estates to ensure that they are

deliverable against a background of increasingly significant financial constraints. BWFM will provide further impetus to align budget and workforce planning proposals. Given its significance to the medium term financial health of the Authority and the ability to meet efficiency and productivity targets, it is essential that there is robust oversight of the project to ensure that it delivers its intended outcomes and so that corrective action can be taken if this does not happen.

1.8 The MTFS provides a basis for meaningful consultation with partners. It contains proposals to support action planning with local and Regional partners in respect of the availability of external funding and any contributions that this Authority will have to make. This is particularly important given the current uncertainties in these areas where proposals are being developed and where there have been significant grant changes.

1.9 It will also support proposals in relation to promoting income generation and sponsorship initiatives.

## **2. MEDIUM TERM FINANCIAL STRATEGY 2008/09 – 2012/13**

2.1 A copy of the full strategy document is attached.

2.2 The MTFS develops some of the themes explored at the Resources Workshop on 16 January 2008, including the Comprehensive Spending Review CSR07, prudential borrowing and the business cases recommended for inclusion by the Chief Constable.

2.3 The financial projections within the MTFS demonstrate a continuing reliance on reserves to support the base level of spending. This is unsustainable. The BWFM project is at the core of proposals to modernise the service within Humberside and to address this position. Fortunately the Authority is in a stronger financial position than most other authorities as it has access to substantial reserves to enable the required investment to be made in this project. However this “spend to save” project needs to deliver the scale of savings to enable the budget to be brought into balance over the medium term in a planned way. The MTFS provides information on the potential impact of the project in terms of both the levels of ongoing savings on the underlying budget position as well as showing the PIR investment required.

2.4 Other initiatives are in hand to identify other savings and efficiency and productivity improvements. In the event that BWFM does not deliver then the Chief Constable would need to be ready with alternative proposals that could be implemented quickly if necessary to achieve a balanced position.

2.5 The Strategy reflects further discussions at the Finance Thematic Panel on 22 January, the Chairs’ Strategy Group on 28 January and formal consideration of the draft MTFS by the Performance Committee. The Performance Committee is charged with recommending the MTFS to the Authority. A number of changes have been made to the draft considered by the Performance Committee and these have been discussed with the Chair and Vice Chair of the Authority as agreed.

- 2.6 The MTFS recommends continued use of prudential borrowing to support the Capital Programme.
- 2.7 The MTFS sets out the position on reserves. As discussed last year, the Strategy assumes that the General Reserve which was previously held at a level equivalent to 5% of the Authority's net revenue budget can now be reduced to 3%. This reflects the improved financial management arrangements that are now becoming embedded within the organisation including improved financial monitoring and financial control of projects.
- 2.8 The financial projections include continued provision for the commitment to PCSOs and other initiatives previously funded through the Development Fund. The Development Fund has now been either returned to the PIR or allocated. The Corporate Centre will no longer hold a Development Fund and this will further improve financial monitoring and accountability within the Force and the Authority by ensuring that budget holders themselves are responsible for ensuring that their budgets are utilised to deliver those developments funded by the Authority.
- 2.9 The key aim of the MTFS is to ensure that the Authority's base level of spending is capable of being contained within the likely level of available resources in terms of grant funding and reasonable assumptions of increases in Council Tax without relying on reserves.

### **3. RECOMMENDATIONS**

It is recommended that :

- i) Members scrutinise and endorse the document and in doing so note:-
  - a. The key assumptions that have been made in respect of pay awards (Police Officers and Police Staff), the level of general Government Grants (Police Grant, Revenue Support Grant and Non-domestic Rates and proposed increases in precept/Council Tax;
  - b. Concerns regarding the uncertainty over future pay awards
  - c. The lack of information on detailed capping criteria
  - d. The uncertainty about some of detailed specific grants in 2008/09 and future years;
  - e. The capital programme and proposals to undertake prudential borrowing;
  - f. The indicative costing and capital financing costs in respect of proposals for improvements to custody facilities;
  - g. The proposed use of the Authority's reserves;
  - h. The impact of the BWFM project on the financial projections for the base budget and intended use of the Performance Improvement Reserve;
  - i. That officers will continue to develop the system of oversight and financial management of projects generally;
  - j. That the Chief Executive and Chief Constable will come forward with proposals to strengthen Police Authority involvement in the BWFM project and in ensuring that the linkages between workforce and financial planning are effectively coordinated given its increasing significance generally and particularly in terms of this vital project;

- k. That officers intend to devise a system of budget monitoring reports for key members outside the normal formal three monthly meeting cycle to enable concerns to be identified and corrective action to be taken where necessary;
  - l. The concerns about the underlying continued reliance on reserves in the financial forecast to support ongoing commitments if BWFM fails to deliver and
  - m. The need to be rigorous in bringing the budget back into balance whilst at the same time supporting initiatives to enhance performance and service delivery.
- ii) The Chief Constable be invited to come forward with specific proposals to enable tranches of funding from the Performance Improvement Reserve in respect of the BWMF project to be agreed and the MTFS to be updated accordingly in terms of both the level of one-off investment and the projected savings and that the Chief Executive be requested to consider the possibility of delegating decision making regarding the release of monies for BWFM to the Police Authority representatives on the BWFM Project Board, and
- iii) The Director of Performance and Resources and Assistant Chief Officer (Support) update Members on changes that affect the underlying assumptions in the MTFS as the year progresses

**TIM S. HOLLIS**  
Chief Constable

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Director of Performance and  
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Background Papers:-

1. Medium Term Financial Strategy – 2008/09 – 2012/13 and supporting files