



Cambridgeshire
Police & Crime
Commissioner

To: Business Coordination Board

From: Chief Executive

Date: 27 October 2015

BUDGET STRATEGY

1. Purpose

1.1 The purpose of this report is to update the Business Coordination Board ("the Board") on the Budget Strategy for Cambridgeshire Constabulary ("the Constabulary")

2. Recommendation

2.1 The Board is recommended to note this report.

3. Background

3.1 This report is presented to provide further information on the budget-setting strategy to the Board prior to:

- The review of the proposed 2016/17 precept in February 2016; and
- The review of the 2016/17 budget and medium-term financial plan (the "MTFP") to 2019/20, to be considered at the March 2016 Police and Crime Panel meeting.

3.2 The Police and Crime Commissioner's ("the Commissioner") robust budget strategy has enabled the achievement of savings of £13.3m from 2013/14 to 2015/16 whilst maintaining the front line. In 2015/16 the Commissioner set a budget of £129.1m, a reduction in cash terms of £1.9m compared to 2014/15.

3.3 The era of austerity is continuing. The new Comprehensive Spending Review period runs from 2016/17 to 2019/20 and Government departments have been asked to model savings of 25% and 40% over the period; further uncertainties are added by the proposed new model for the police funding formula. As a result of the funding pressures that the Commissioner and the Constabulary are facing, the MTFP identifies that further savings of £19.3m may need to be found by the end of the financial year 2019/20. This paper provides further detail on the budget strategy to achieve both

financial balance and the operational policing strategy, via local savings, collaboration and strategic use of assets in particular.

4. Key Principles

4.1 The Commissioner's key principles for sound budget setting are as follows:

- The Chief Finance Officer (the "CFO") of the Commissioner and Director of Finance and Resources of the Constabulary will look forward to find suitable projects and initiatives to help to meet future savings requirements; short-term measures will never be taken at the expense of long-term financial stability.
- The guiding principle in setting the precept is to achieve value for money policing whilst not increasing the burden on the taxpayer.
- Every effort will be taken to protect frontline policing to fulfil the Commissioner's and Constabulary's statutory functions and meet the public's needs and expectations, as exemplified in the new Chief Constable's operational policing strategy of safeguarding the vulnerable, attacking criminality, preventing and reducing crime, achieving excellent value for money and reassuring the public. The financial strategy will never be viewed in isolation.
- Long-term borrowing shall not be used for short-term needs: the lifetime of loans should closely match the lifetime of the assets that they are financing.
- Virements shall only be used to correct budget allocations between cost lines where it is found after budget approval that a particular cost more sensibly sits in a different cost centre; they are not used to mitigate overspends. This will facilitate sound financial management and visibility of any over- or underspends.

5. Budget Strategy

5.1 A sound financial strategy is the key enabler to the achievement of the objectives of the operational policing strategy and the protection of front-line policing, as summarised in paragraph 4.1 above. This is particularly important at present as the Commissioner and Constabulary deal with the implications of spending cuts, a revised police funding formula, and the opportunities and risks presented by collaboration and devolution. The best way to keep people safe and maintain police resources and people's confidence in the police is to place an emphasis on long-term financial and strategic management as a whole; the Commissioner and Constabulary never look at expenditure numbers in isolation.

5.2 Analysing and setting the Commissioner's and Constabulary's budgets is an iterative and ongoing process. Initial drafts of the following year's budget are prepared throughout the current year. The budget setting process continues in earnest in September; the known factors including contractual commitments, costs, pressures and savings identified during the current financial year, alongside assumptions relating to central government funding, set the financial landscape for the coming year. The Constabulary's Budget Managers are tasked with reviewing their budgets and recommending savings, initially to the Constabulary's. This work is undertaken in close co-operation with the Constabulary's Finance Team.

- 5.3 The Deputy Commissioner, Commissioner's CFO and Constabulary Director of Finance and Resources meet regularly from September to consider the draft budget and MTFP, challenging assumptions and analysing savings in order to improve a realistic and sustainable financial plan that enables the Constabulary to bring the operational policing strategy to fruition.
- 5.4 Budget monitoring reports are presented to the Commissioner's monthly Finance Sub-Group, chaired by the Deputy Commissioner, whose minutes are reported to the Board. This ensures that the savings and efficiencies are achievable and the Constabulary continually strives to ensure effective and efficient policing.
- 5.5 The MTFP is a rolling, live plan covering the next four years, with the first year being the budget year. The MTFP pulls together forecasts for expenditure, funding, precept, reserves and investments over the next four years, which then allows an estimation of the funding gap required to be addressed. This is a base tool for future planning, but it is important to stress that it is not the only tool used in future planning.
- 5.6 Peer review and scrutiny of the budget and MTFP is achieved by consideration, discussion and challenge at the following levels:
- Force Executive Meetings
 - Chief Constable's Governance Board
 - Constabulary Operational Financial Planning Days
 - Constabulary Change Management Board which oversees the capital programme
 - Joint reviews by heads of service and Finance Team
 - Finance Sub-Group
 - Business Co-ordination Board meetings
- 5.7 The main risks and uncertainties in the budgeting process comprise:
- Pay awards and increments and pension costs
 - Inflationary pressures
 - Energy costs – predicting whether and to what extent the current low energy costs will continue.
 - The outcome of the Government's Comprehensive Spending Review (the "CSR"): Government departments were asked by the Treasury to model savings of 25% and 40% over the period to 2019/20. As can be seen in the timescales section below, the actual amount of the police settlement as a result of the CSR will not be known until December 2015.
 - The Government is proposing a new, simplified allocation model for the police funding formula. Whilst the proposals could mean additional funding for Cambridgeshire, non-crime data has not been included in the Home Office's proposed formula. The Commissioner's CFO and Constabulary's Director of Finance and Resources have issued a joint response to the consultation that is broadly positive but highlights the concerns with the formula as it currently stands. Whilst it has been proposed by the Home Office that the formula will be implemented from 2016/17, transitional arrangements will mean that

implementation is likely to be very slow. Home Office ministers are due to respond to the consultation by early November 2015.

5.8 The cost pressure from 2016/17 of increased employer's National Insurance due to the end of contracting-out and the National Insurance rebate was factored into the MTFP when first announced by the Government in 2014. Further cost pressures that have been factored in include Home Office Information and Communications Technology (ICT) charges and additional investment in the 101 call handling service.

5.9 The following strategies are being used to balance the budget and MTFP:

- Local savings via continuous improvement and cost-reduction of processes, for example the use of Metis technology to free up officer and staff time.
- Strategic use of estates to minimise operating costs, including where appropriate the disposal of sites that are surplus to operational requirements.
- Collaboration: Cambridgeshire Constabulary forms part of a three-way Strategic Alliance with Bedfordshire Police and Hertfordshire Constabulary. Collaboration is delivering a significant contribution to the overall goal of the three forces to scale back office costs by up to £20m each year from a baseline of £120m. The Strategic Alliance enables the three forces to develop plans to collaborate on a range of operational support and organisational support functions. The three are already collaborating on a number of areas including Armed Policing, Procurement, Professional Standards Department and Roads Policing. The alliance recently announced plans to progress with the collaboration of the following areas, creating savings of ¹£3.2m for Cambridgeshire across the MTFP period:
 - Public Contact: an integrated tri-force public contact service incorporating digitally enabled public services, with increased online access and self-service to provide an improved citizen experience, whilst reducing demand on police resources and increasing resilience.
 - Human Resources and Learning and Development: a single organisational support function covering recruitment, knowledge and skills building, managing change programmes, health and safety, and application of regulations, terms and conditions in a unified way.
 - Firearms and Explosives Licensing: a single tri-force structure and process to manage applications, renewals and revocations of firearms and explosives licences, and manage risk and appropriate use of intelligence.
- Additional areas where there is evidence that collaboration will improve efficiency and resilience include Information Management, ICT, Criminal Justice and Custody and collaboration plans in these areas are also progressing.
- Partnership working, including the emerging devolution plans for community safety, exploring how closer working can ensure the increasingly complex needs of Cambridgeshire's growing population are met using a shrinking public sector budget.

¹ Latest projection of savings as at October 2015

- The impact of savings from collaboration and continuous improvement will be seen in reductions of police staff.
- The desire to maintain the total number of officers in front-line policing is a clear priority. The proposed and agreed Business Cases for Collaborating both Organisational and Operational Support Services provide efficiencies that will reduce the number of police officers in these functions: these modest adjustments will be reflected in the total number of officers over the next few years. Investment in modern technology and changes in processes have led to adjustments in the number of police officers employed in back-office functions in local policing: these modest adjustments will be reflected in the total number of officers over the next few years. Significant gains in the productivity of police officers and PCSOs on the front-line have been achieved through investment in mobile technologies and the development of the TuServ software. Every effort will be used to maintain this increase in effective capacity, however, if the overall financial pressures remain at the current scale that we are projecting then at some point it will become necessary to reduce numbers if further savings cannot be identified elsewhere.
- Transport cost and supplies and services savings, utilising collaborative procurement to obtain the best possible deal and continue to make cash releasing savings
- The Budget Assistance Reserve stood at £9.8m as at 31st March 2015. This cash-backed reserve has been built up to provide the ability to smooth the impact of future funding reductions whilst the changes and savings being achieved through organisational and operational support collaboration are realised. It is possible that this reserve will need to be fully utilised over the period of the MTFP.

6. Her Majesty's Inspectorate of Constabulary – Cambridgeshire Constabulary's Efficiency Report

- 6.1 Her Majesty's Inspectorate of Constabulary (HMIC) recent report 'PEEL: Police efficiency 2015 - An inspection of Cambridgeshire Constabulary' gave the Constabulary an overall grading of 'Good'². The annual inspection into efficiency assessed how the Constabulary maximised outcomes from its available source, focusing on the overall question, 'How efficient is the force at keeping people safe and reducing crime'. In particular they reported that the Constabulary 'is well prepared to face its future financial challenges', and 'has a good track record in reducing its costs while maintaining its police officers numbers'.

7. Timetable

- 7.1 The timetable for the remainder of the budget-setting process is as follows:
- 26th November 2015: MTFP and 2015/16 budget update report to Business Co-ordination Board

^{2 2} HMIC use evidence to produce an assessment of how police forces have performed, which in some areas will include a graded judgment of 'Outstanding', 'Good', 'Requires improvement' or 'Inadequate'

- November 2015: Home Office response to funding formula consultation
- 8th December 2015: predicted date of confirmation of Police finance settlement by Home Office
- 20th January 2016: precept-setting report for 2016/17 presented to Business Co-ordination Board
- 3rd February 2016: precept-setting report for 2016/17 presented to Panel
- 25th February 2016: budget for 2016/17 and MTFP to 2019/20 presented to Business Co-ordination Board
- 16th March 2016: budget for 2016/17 and MTFP to 2019/20 presented to Panel

8. Public Engagement

- 8.1 Public engagement between the Commissioner and the public is continuous, using a range of methods all of which inform the decisions of the Commissioner.
- 8.2 Public opinion is fed back directly to the Commissioner through the correspondence received, typically in excess of 120 pieces per month. Communication by phone, post, e-mail, website and via Twitter are all utilised by the public. The Commissioner also visits different towns and cities and meets the public on the street listening to the views and concerns of the community. One-to-one appointments are offered to any member of the public wishing to discuss particular issues with the Commissioner at one of his “surgeries”. In the monthly newsletter financial issues are regularly raised and people are invited to comment on what they read.
- 8.3 Public opinion is also fed back through the Commissioner’s two Outreach Workers who pick up and report back on local concerns, as well as wider issues that need escalating for further action or scrutiny. Public opinion received through the Constabulary is shared with the Commissioner’s Office, through meetings and reports.
- 8.4 Extensive engagement is achieved through various meetings with elected representatives, such as councillors and MPs, through attendance at, and feedback from, neighbourhood meetings, parish council meetings, Community Safety Partnership meetings and Neighbourhood Watch.

9. Looking Forward

- 9.1 Whilst the Commissioner and Constabulary have managed the financial strategy for the coming year, the organisations are not complacent in the face of the significant financial challenges going forward. In order to balance the budget and ensure strong operational performance the Commissioner and Constabulary have plans to continue to redesign and transform service delivery. This is being achieved against an increasingly pressured environment. The scale of reductions of government grant could mean organisations find themselves carrying increasing operational risks with the number of projects that have to come to fruition for the Commissioner and Constabulary to balance the budget rising. The robust budget strategy above is a key plank in keeping people safe and maintaining police resources and people’s confidence in an ever more uncertain environment.

10. Recommendation

10.1 The Board is recommended to note this report.

BIBLIOGRAPHY

Source Documents	Cambridgeshire Police and Crime Commissioner's Police and Crime Plan 2013-16 www.cambridgeshire-pcc.gov.uk/police-crime-plan 'PEEL: Police efficiency 2015 - An inspection of Cambridgeshire Constabulary' HMIC, October 2015 http://www.justiceinspectrates.gov.uk/hmic/wp-content/uploads/cambridgeshire-police-efficiency-2015.pdf
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