

<b>CAMBRIDGESHIRE POLICE AND CRIME PANEL</b>	<b>Agenda Item No. 7</b>
<b>9 November 2016</b>	<b>Public Report</b>

## Report of the Police and Crime Commissioner

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## BUDGET STRATEGY

### 1. PURPOSE

- 1.1 This report is being presented to the Cambridgeshire Police and Crime Panel (the “Panel”) to provide an update on the Police and Crime Commissioner’s (the “Commissioner”) budget strategy.

### 2. RECOMMENDATION

- 2.1 The Panel is asked to note the report.

### 3. TERMS OF REFERENCE

- 3.1 Item 6 – To review or scrutinise decisions made, or other action taken, by the Police and Crime Commissioner in connection with the discharge of the Commissioner’s functions.

Item 8 – To support the effective exercise of the functions of the Police and Crime Commissioner.

### 4. BACKGROUND

- 4.1 This report is presented to provide further information on the budget setting strategy to the Panel prior to the review of the:

- proposed 2017/18 precept in February 2017; and
- 2017/18 budget and medium-term financial plan (the “MTFP”) to 2020/21, to be considered at the March 2017 Panel meeting.

- 4.2 In order to balance the budget, savings of £16.1 million have been made between 2013/14 and 2016/17, to achieve the overarching aim to deliver an efficient and effective police service for the people of Cambridgeshire which is sustainable for the future. Every effort has been and is being made to protect frontline policing. Short-term measures are never taken at the expense of long-term financial stability and long-term borrowing is not used for short-term needs. Budgetary pressures are set to continue, with further savings of over £6 million to be found by the end of the financial year 2019/20.

- 4.3 Transformation is crucial to allow Cambridgeshire Constabulary and partners to deliver the objectives in the Commissioner’s new Police and Crime Plan. A continual process is in place to look forward to find different ways of working which are more effective and efficient and in this way balance the budget. This is coupled with a need to have a comprehensive understanding of demand and ways of working with partners to reduce these demands.

4.4 The Policing and Crime Bill (the “Bill”) once enacted will require the police, fire and rescue, and ambulance services to collaborate with one another, where it would be in the interests of their efficiency or effectiveness to do so. These are locally enabling and recognise local leaders are most informed to determine the collaboration which best meet the needs of their communities. This Bill has prompted an early dialogue between the Commissioner and Cambridgeshire Fire Authority to explore the best way to progress the opportunities it presents.

## **5. KEY PRINCIPLES**

5.1 The Commissioner’s key principles for sound budget setting are as follows:

- Transformation will be maximised through innovation and collaboration within policing and with wider partners in order to drive improved outcomes and savings – finances will never be viewed in isolation.
- The Commissioner’s Chief Finance Officer and the Constabulary’s Director of Finance and Resources will take opportunities 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.
- Efficiencies will continue to be sought to put more money into frontline policing, to prioritise police time and run an efficient police force.
- Estates will be managed strategically, including where appropriate the disposal of sites that are surplus to operational requirements to minimise operating costs, and the revenue generation potential of surplus sites will be explored.
- 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.
- The transfer of items from one financial account to another (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.

## **6. BUDGET STRATEGY**

6.1 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 5.1 above. This is particularly important at present as the Commissioner and Constabulary deal with the prospect of potential spending cuts, a revised police funding formula, and the opportunities and risks presented by collaboration, the Bill 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.

- 6.2 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. This work is undertaken in close co-operation with the Constabulary's Finance Team.
- 6.3 The Commissioner's Chief Finance Officer and Constabulary Director of Finance and Resources meet monthly 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.
- 6.4 Budget monitoring reports are presented to the Commissioner's monthly Finance Sub-Group, chaired by the Commissioner's Chief Finance Officer. This ensures that the savings and efficiencies are achievable and the Constabulary continually strives to ensure effective and efficient policing.
- 6.5 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.
- 6.6 Peer review and scrutiny of the budget and MTFP is achieved by consideration, discussion and challenge at the following levels:
- Force Executive Meetings
  - 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
- 6.7 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 exact Police share of the £1bn for the Emergency Services Network system (the replacement for Airwaves) is not yet known and costs will become clearer as the year progresses;
  - Following his appointment in July 2016, the new Chancellor stated: “over the medium term, we will have the opportunity with our Autumn Statement, our regular late year fiscal event, to reset fiscal policy if we deem it necessary to do so in the light of the data that will emerge over the coming months”. The Police Finance Settlement in February 2016 covered 2016/17 only. As can be seen in the timescales section below, the actual amount of the police settlement for 2017/18 will not be known until December 2016;
  - The Constabulary has always believed it is disadvantaged by the current funding mechanism and has pressed for a fairer share of the funding ‘cake’ which recognises local population

growth and diversity. The organisation loses approximately £2m year on year to the funding floor. This is a mechanism devised by Government which equalises out the funding formula across the police service so that no one Force loses or gains too much as a result of applying the formula. Therefore some Forces gain more as a result of the equalisation process and some, like Cambridgeshire, lose. This has been going on now for nearly 13 years, however further consultation on a proposed new model for the police funding formula has been delayed from an originally proposed 2016/17 launch and is now unlikely to be implemented before 2018/19. Transitional arrangements will mean that implementation is likely to be very slow.

6.8 The cost pressure of the Apprenticeship Levy from 2017/18 was factored into the MTFP when first announced by the Government in the Summer Budget 2015.

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

- Collaboration between Bedfordshire Police, the Constabulary and Hertfordshire Constabulary 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. This Strategic Alliance enables the three forces and their respective Commissioners 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, Human Resources, the Professional Standards Department, and Roads Policing.
- The Constabulary also works in partnership with other forces, particularly with regard to serious and organised crime. Cambridgeshire is part of the Eastern Region Special Operations Unit, set up to tackle the threat of organised crime across the seven police force areas of the Eastern Region and to provide specialist covert policing capability and law enforcement. Eastern Region collaboration (being Bedfordshire, Cambridgeshire, Hertfordshire, Norfolk, Suffolk, Essex and Kent) is in its relatively early stages and already significant opportunities have been identified in areas such as regionalising procurement.
- Strategic use of estates, including where appropriate the disposal of sites that are surplus to operational requirements, and considering the revenue generation potential of surplus sites, is minimising operating costs.
- 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.
- Cambridgeshire and Peterborough Councils and Local Enterprise Partnership leaders are proposing a devolution deal for Cambridgeshire and Peterborough to form a Combined Authority. The potential benefits for community safety are significant and the Commissioner is working with local public sector bodies to ensure that these benefits are fully realised.
- Exploration by the Commissioner and Cambridgeshire Fire Authority on the best way to progress the opportunities that the Bill presents.
- 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 2016. 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 partially utilised over the period of the MTFP.

## **7. OFFICE OF THE POLICE AND CRIME COMMISSIONER (“OPCC”) UPDATE**

- 7.1 During 2016/17 there have been several staffing changes within the OPCC and these will affect both the projections for 2016/17 and staffing budget preparation for 2017/18.
- 7.2 During 2016/17 the Outreach Worker Posts both became vacant. The North Outreach Worker post has been refocussed to a countywide role and renamed Engagements Officer to enable the OPCC to achieve the Commissioner’s objectives from the new Police and Crime Plan. The South Outreach Worker post became vacant in April 2016 and is being held vacant and under review.
- 7.3 The total staffing budget for 2016/17 was set at £977k. The forecast staffing cost for the year is currently projected at £903k, representing an underspend of approximately £74k.
- 7.4 An estimate for the OPCC staffing budget for 2017/18 is based on current salaries and includes usual pay scale increments progression and an anticipated 1% pay rise, excluding the Commissioner’s salary which is set by the Home Office, and the Deputy Commissioner’s salary. National Insurance contributions are estimated at the same rate as 2016/17 while the Autumn Statement is awaited to confirm the rates for 2017/18.
- 7.5 Every opportunity has, and will be, taken to ensure effective sharing of staff.
- 7.6 The office of the OPCC moved from South Cambridgeshire District Council offices to Police Headquarters in Hinchingsbrooke in July 2016. This will give a projected underspend in rent and room hire of £12.5k for 2016/17.
- 7.7 Budget preparation for 2017/18 will commence in liaison with the Constabulary in the next few weeks. The non-staffing budget will be reviewed line-by-line to assess where savings may be made.

## **8. TIMETABLE**

- 8.1 The timetable for the remainder of the budget-setting process is as follows:
  - 16<sup>th</sup> December 2016: MTFP and 2016/17 budget update report to Business Co-ordination Board
  - December 2016: anticipated confirmation of Police finance settlement by Home Office
  - 17<sup>th</sup> January 2017: precept-setting report for 2017/18 presented to Business Co-ordination Board
  - 1<sup>st</sup> February 2017: precept-setting report for 2017/18 presented to Panel
  - 9<sup>th</sup> February 2017: budget for 2017/18 and MTFP to 2020/21 presented to Business Co-ordination Board
  - 15<sup>th</sup> March 2017: budget for 2017/18 and MTFP to 2020/21 presented to Panel

## **9. PUBLIC ENGAGEMENT**

- 9.1 Public engagement between the Commissioner and the public is continuous, using a range of methods, all of which inform the Commissioner's decisions.
- 9.2 Public opinion is fed back directly to the Commissioner through public engagement and correspondence received. 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. The Commissioner has made engagement a priority in his first year of office, spending 1-2 days per week meeting the public, police staff, police officers and partner agencies.
- 9.3 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.
- 9.4 Plans are being made for engagement on precept and budget proposal. It is expected that this will utilise Survey Monkey with a link to the survey being available on the Commissioner's website as well as being distributed with the monthly newsletter which is sent to 16,000 email addresses each month.

## **10. LOOKING FORWARD**

- 10.1 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 are continuing to redesign and transform service delivery. 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.

## **11. BACKGROUND DOCUMENTS**

Cambridgeshire Police and Crime Commissioner's Draft Police and Crime Plan 2017-20  
[www.cambridgeshire-pcc.gov.uk/police-crime-plan](http://www.cambridgeshire-pcc.gov.uk/police-crime-plan)