

<b>CAMBRIDGESHIRE POLICE AND CRIME PANEL</b>	<b>Agenda Item No. 5</b>
<b>23rd November 2022</b>	<b>Public Report</b>

**Report of Police and Crime Commissioner for Cambridgeshire and Peterborough**

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**TITLE: CONSTABULARY BUDGET CONSIDERATIONS**

<b>1.</b>	<b>PURPOSE</b>
1.1	To provide the Cambridgeshire Police and Crime Panel (the “Panel”) with an overview of the Constabulary budget and the Police and Crime Commissioner’s (the “Commissioner”) approach to budget setting.
<b>2.</b>	<b>RECOMMENDATION</b>
2.1	The Panel is recommended to note the contents of this report.
<b>3.</b>	<b>TERMS OF REFERENCE</b>
3.1	Item 5 - To review and make a report and recommendation (as necessary) on the proposed precept.  Item 8 – To support the effective exercise of the functions of the Police and Crime Commissioner.
<b>4.</b>	<b>BACKGROUND</b>
4.1	Under the Police Reform and Social Responsibility Act 2011 (the “Act”) the Panel has a role in scrutinising the Police and Crime Commissioner in the exercise of his statutory functions. Two of the relevant statutory duties of the Commissioner are to ‘secure efficient and effective police for their area’ and ‘set the force budget and determine the precept.’
4.2	The Government will shortly announce police funding for 2023/24. The Commissioner will then be required to propose and set a local precept. We anticipate that this will be particularly challenging in the current economic climate. The purpose of this paper is to

	<p>set out how the Commissioner will go about his statutory duties and explain in some detail the make-up of the current police budget and constraints upon it, to provide insight to Panel members ahead of consideration of the Commissioner’s precept proposal in early 2023.</p>
	<p>The Medium-Term Financial Strategy (MTFS) sets out how the Commissioner aims to ensure the Chief Constable has the resources needed and how the Chief Constable aims to achieve the investment, savings and efficiencies required to balance the MTFS. The MTFS is refreshed every year and the current one was presented to the Panel in February 2022. Once detailed allocations for 2023/24 are provided by government, a refreshed MTFS will be presented to the Panel in early 2023. That MTFS will contain more detail regarding the current position and assumptions for managing finances for the next four years.</p>
4.3	<p>The Commissioner’s duty is to set the precept and hold the Chief Constable to account for efficiency and effectiveness and delivering value for money. When entering budget and precept setting processes, the Commissioner is aware that it is essential that any money received from government or raised by the local precept must be put to the best use on behalf of the public, to cut crime and keep people safe. Given the current economic position and current costs of living, never has this been more important.</p> <p>Whilst the Commissioner’s own expertise and that of the OPCC is used in making assessments, a key part of the overall assessment must include reference to external assurances received. These include:</p> <ul style="list-style-type: none"> <li>• External Auditors (BDO currently appointed)</li> <li>• Internal Auditors (RSM currently appointed)</li> <li>• Chartered Institute of Public Finance and Accountancy (CIPFA)</li> <li>• His Majesty’s Inspectorate of Constabularies, Fire and Rescue Services (HMICFRS).</li> </ul>
4.4	<p>To help to establish whether there are significant opportunities currently being missed in how the budget can be better managed, or resources more effectively deployed, it is worth reviewing the most recent reports received from external organisations that have inspected/reviewed/audited the Constabulary and OPCC.</p>
4.5	<p>The <b>External Auditors</b> report for the year ended 31 March 2021 reports on the Commissioner’s and Chief Constable’s “arrangements for securing economy, efficiency</p>

	<p>and effectiveness in its use of resources under the headings of Financial sustainability, Governance and Improving economy, efficiency and effectiveness.”</p> <p>The audit conclusion stated the external auditors have not identified any significant weaknesses in respect of the PCC/CC’s arrangements for securing economy, efficiency, and effectiveness in its use of resources.</p>
4.6	Regarding financial sustainability, the auditors concluded that there were robust arrangements in place to enable planning and managing of resources, with there being no significant weaknesses, but did note that the MTFS includes significant savings plans alongside increasing delivery pressures, such as fuel and energy costs and inflation.
4.7	<b>Internal Audit</b> have reported on areas of work across both the OPCC and Constabulary as part of the annual audit plan. Three areas that are relevant to this report are Governance, Commissioning and Grants and the Estates Project Management.
4.8	The Governance report received 'substantial assurance' with no recommendations. The conclusion states: “we concluded that there was a clear governance framework documented, that was operating effectively for both the OPCC and the Constabulary, in line with the Corporate Framework. We found that the boards and groups for both organisations were operating as designed, through review of their meeting minutes, and as documented within their Terms of Reference. We also found that the governance structure enabled key areas of planning, risk management and performance monitoring, including that of the OPCC holding the CC to account.”
4.9	The Commissioning and Grants Audit received ‘substantial assurance’ with no recommendations. The conclusion states: “we found that the OPCC has a robust process in place to managing the commissioning process with adequate controls in place that were operating effectively. This included a strategy and procedure, guidance for applicants and the transparency of grants on the website. We confirmed declaration of interest forms to act with impartiality had been completed and due diligence checks were also evidenced. We also confirmed adequate monitoring of providers through a spreadsheet and contract meetings and the approval of commissioning decisions by the PCC. We have not agreed any management actions as a result of this review.”
4.10	The Estates – Project management of the New Southern Police Station report (7 July 2021) received ‘Reasonable assurance’. The conclusion states: “Overall, we consider the Constabulary’s control framework in respect of the project management of the

	<p>station to be well designed, with a robust governance framework in place and financial arrangements which are monitored closely and regularly.”</p>
4.11	<p><b>The Chartered Institute of Public Finance and Accountancy (CIPFA)</b> undertook a capability review in April 2022. Their conclusion was “overall, the Force displays consistent financial management of its finance and uses the Cambridgeshire Strategic Threat and Risk Assessment (CAMSTRA) approach to provide assurance to the Chief Officer Team that due diligence has been taken in making budgetary decisions.”</p> <p>CIPFA have undertaken a further review for ‘Business Case Development and Benefits Realisation Processes’ as part of the Achieving Financial Excellence in Policing Programme and they stated: “The Force agreed its Value for Money Strategy in December 2021. We believe this is a good, clear, robust theoretical framework within which to implement change and capture and evaluate the benefits of change.”</p>
4.12	<p><b>HMICFRS</b> graded the Constabulary as ‘good’ for its ‘Strategic planning, organisational management and value for money’ in its latest PEEL assessment 2021/22. It has also highlighted the Constabulary business planning process as innovative practice.</p> <p><b>“The Constabulary manages its finances well”</b></p> <p>“Financial planning and management are well-aligned with the overall management of the Constabulary. Senior leaders throughout the organisation are appropriately involved. Budgets are delegated to the right level, promoting effective budgetary responsibility and accountability among service managers.”</p>
4.13	<p>The PEEL assessment further states: <b>“The Constabulary has a highly effective strategic planning framework to make sure it tackles issues that are important locally and nationally.</b> The Constabulary has good, well-co-ordinated planning processes in place, supported by improved governance arrangements and strong performance management. It uses systematic processes including the CAMSTRA to better understand threats and risks to the community, and the public’s expectations.”</p>

4.14	It is apparent from the above review of recent external reports that there are no significant internal opportunities to dramatically improve use of finance or resources within the Constabulary.
<b>5.</b>	<b>Fundamental Budget Breakdown Summary</b>
5.1	Whilst the funding and budget for 2023/24 is yet to be decided, it is safe to assume that it will be challenging to set a balanced budget. For all those involved in the process and for public transparency, the following section of this report explains in some detail how the police budget is made up, and the constraints that are upon it regarding how any required savings could be achieved.
5.2	<p>The references to external assurance that the Commissioner received at Section 4, indicates that there is already effective financial management and resource planning. That is not to say that further improvements and day-to-day savings cannot be made, but it does indicate that there are no significant savings to be made from good/better management practices. Part of the reason for that are the significant strategic steps that have already been taken:</p> <p>Collaboration with other police forces - the benefit of this is that it maximises economies of scale, meaning policing functions can be delivered at lower cost. Cambridgeshire already collaborates around 30% of its functions; this is already significantly higher than most (or all) other forces. In short, the best opportunities for saving have already been taken. Again, whilst this does not preclude other opportunities becoming available, it does suggest that they will not be significant.</p> <p>Procurement of goods and services offers opportunity for savings through aggregation of contracts and standardisation of specifications. Cambridgeshire are already part of a 7Force Procurement and the national Bluelight Commercial Services police procurement company. In light of inflationary pressures, it is likely that the benefits of procurement at scale will be reduced cost increases, rather than delivering significant savings.</p> <p>Income generation, opportunities for this are limited for constabularies but within the MTFs there are measures that will generate some income. The Constabulary has an Enterprise Strategy which provides a framework within which staff can consider how best to operate their area of business, with the aim of enhancing both non-cashable and cashable productivity, effectiveness, and efficiency.</p>

	<p>The Commissioner is lobbying the government for a change of funding formula to address its shortcomings, including the unfunded population growth in Cambridgeshire and Peterborough.</p>
5.3	<p>In considering the breakdown of the police budget, it needs to be recognised that whilst policing is broken down into various functions, and the budget lines broken down by type, the essential nature of any police budget is that it is interdependent and integrated. There are no separate silos/directorates where significant savings can be made that would not have a knock-on effect to other aspects of policing and public safety.</p> <p>The costs outlined in Sections 5.3 to 5.10 are gross and exclude specific grants and income of £5.5m.</p> <p>56.7% of the budget (£97.2m) relates to police officer costs. To all intents and purposes, this cost is fixed by government through the application of the Uplift Programme. If Cambridgeshire were to fall short of the uplift target recruitment, or thereafter fail to maintain that number of officers, there would be significant financial penalties.</p> <p>As such, any savings required as a result of funding shortfalls against cost pressures, would have to be found from the remaining 43.3% (£74.3m) of the budget.</p>
5.4	<p>25.6% (£43.9m) of the budget relates to police staff. Compared to the national average, Cambridgeshire already has a lower ratio of police staff to police officers. Police staff undertake direct “policing” functions (e.g., PCSOs, call handlers, intelligence staff, vetting staff, detention officers and scenes of crime officers) as well as the more generic organisational support functions (e.g., recruitment, learning and development, ICT, finance, estates).</p> <p>Part of the reason for this relatively low number of police staff is that through the years of austerity, Cambridgeshire protected police officer numbers. Therefore, £141.1m of the budget or 82% is made up of employee costs.</p>
5.5	<p>9.3% (£16.0m) relates to supplies and services. Some efficiencies are possible through procurement; however, inflationary, and economic conditions will make significant reductions challenging.</p>
5.6	<p>3.4% (£5.9m) of the budget relates to other partnerships and collaboration, including:</p>

	<p>National policing initiatives agreed collectively such as the National Police Air Service (NPAS)</p> <p>Regional Partnerships (Serious Organised Crime and 7Force network)</p> <p>Regional Collaborations (Sexual Assault Referral Centre &amp; Kings Lynn Police Investigation Centre)</p> <p>Within these budget lines, there is little to no local flexibility.</p>
5.7	2.8% (£4.8m) relates to running costs for premises. As we have an aging estate, there are costs involved to maintain the estate to ensure it is a safe workplace.
5.8	2.8% (£4.8m) relates to capital costs to support the capital programme (the built estate, ICT, fleet). There is some scope for this to be reduced by slowing some projects, but operational requirements must be met including for the additional officers recruited.
5.9	1.8% (£3m) relates to transport costs and we also need to think about a greener fleet for the future; this will be more expensive than the current petrol and diesel fleet. We are also feeling the increases in fuel costs for both our buildings and the running of our vehicles.
5.10	0.7% (£1.3m) of the overall budget relates to the OPCC. The Commissioner's statutory duties have increased since the inception of PCCs, and the OPCC costs have reduced significantly as a percentage of the Constabulary budget from 1% in 2015/16. The OPCC have also been successful in bringing much needed additional funds into the county, in both 2021/22 and 2022/23 this has exceeded the cost of the office itself.
5.11	Appendix 1 is a bar chart that shows the same budget through a different lens: that of functional departments rather than budget lines. Departments that cost less than 1% of the budget have not been included.
5.12	<p>The integrated nature of policing is demonstrated in Appendix 1.</p> <p>Most of policing broadly follows this pattern: the police get called/notified of "something" (suspicious activity, crime, road collision, concern for safety etc.); the police assess the information received; the police determine a suitable response and resource; the police take necessary and appropriate follow up action.</p> <p>A report of a person "missing from home" may be an abduction, it may be a murder, it may be a safeguarding issue, or it may just be a missing person.</p>

	<p>A report of “concern for welfare” may be a person who has died in their home, it may be a murder, or a suicide, or death by natural causes. It may be related to a vulnerable person subject to exploitation by criminal gangs.</p> <p>A report of burglary may be the result of the actions of a lone criminal or an organised crime group and may involve a firearm/weapon.</p> <p>Incidents are not “standard.” At all parts of the process the staff involved need training, equipment, access to intelligence and information, availability of powers regarding investigation, forensic examinations, and access to specialist resources in order to deal with each one appropriately.</p> <p>Whilst the functions in the bar chart have broadly been defined as either frontline or support services, the reality is that the distinction is not significant as the impact of reducing those support services is felt on the frontline.</p>
5.13	<p>Scenarios</p> <p>It is possible to stop the budget requirement increasing. There are scenarios where this could happen. However, the direct negative consequences of pursuing any of them are such that they are not, in the Commissioner’s view, tenable for further exploration.</p> <p><b>To be absolutely clear, these are <u>not</u> options currently under consideration.</b></p> <ol style="list-style-type: none"> <li>1. Stop recruiting police officers. There is a natural turnover of police officers either from them choosing to leave the Constabulary or retiring. Legally there is no reason that the Chief Constable must recruit to fill those gaps. Such action would reduce frontline policing and our communities would be less safe. Other consequences would be increased pressure on existing officers and staff leading to further wellbeing and retention concerns. The financial penalties from government for failing to maintain the number of officers required would also necessitate further savings being needed. Organisationally, it would create an unhealthy spread of experience if there was a period of no recruitment, as ideally for effectiveness and efficiency, an even flow of people in/out is optimal.</li> <li>2. Vehicles and Estates. Increasing the lifespan of vehicles would merely create other costs pressures regarding maintenance. Similarly with an ageing estate, delaying necessary improvement work, merely stores up further costs.</li> <li>3. Stopping investment in ICT. Much of the investment in this is nationally mandated and not within the control of the Constabulary. Whilst Cambridgeshire Constabulary</li> </ol>



	<p>are a distinct policing entity, the nature of modern policing is that there is a high degree of integration with other forces. It is simply not feasible to isolate from that. Other local ICT investment is the result of equipment requiring updating. A blanket halt on investment would have significant and unforeseen consequences for policing.</p> <p>4. A blanket freeze on recruitment into all vacant police staff roles. Compared to the national average, Cambridgeshire already has a lower ratio of police staff to police officers. The consequences of intentionally not filling vacancies, or in effect removing posts, would be felt across the efficiency, effectiveness, and coherence of the whole Constabulary.</p>
5.14	<p>Steps that the Chief Constable and the Commissioner will take:</p> <ol style="list-style-type: none"> <li>1. Maintenance of rigorous budget management and resource planning (to save cost)</li> <li>2. Savings plan in place for where they are possible without significant detriment to policing (to save cost)</li> <li>3. Continued enterprise strategy (to generate income)</li> <li>4. Continued grant applications (to generate income)</li> <li>5. Continued lobbying of Government for fairer funding (to generate income)</li> </ol>
<b>6.</b>	<b>Budget Setting Process 2023/24</b>
6.1	<p>The final 2022/23 budget for Cambridgeshire Constabulary and Commissioner's office was a Net Budget Requirement of £171.5m</p> <p>The 2021 spending review indicated an additional provisional allocation of £1m for Cambridgeshire in 2023/24. This amounts to 0.6% of the current net budget requirement.</p> <p>General inflation is at circa 10% and the police pay rise for 2022/23 was 5%, higher than the anticipated 3.5%. The police staff pay award had a reopener clause which has added further cost to the budget, which is being paid from November 2022.</p> <p>The spending review further specified that PCCs would have the flexibility to increase the precept by £10 each year on a Band D property for the three years from 2022/23 to 2024/25. This potentially equates to around an additional £4M per annum, assuming Council Tax Base also increases by 1% per annum.</p>

6.3	In preparing the budget requirement for 2023/24, the Constabulary have carried out the CAMSTRA planning process, identifying pressures against the current capacity and capability of the force to manage the expected future demand and risk.
6.4	When the Government has released the detailed allocations to forces, the Commissioner will discuss with the Chief Constable the proposed savings and cost pressures, the budget assumptions and therefore the overall net budget requirement for 2023/24. The Commissioner will then consider what that means for his precept proposal.
6.5	Once the financial analysis has been completed, the Commissioner will launch his precept survey to ascertain the views of the public. On completion of that, the Commissioner will inform the Chief Constable of his proposed precept to enable a further discussion on the budget implications for the Chief Constable.
6.6	The Commissioner will then present to the Panel his proposed precept for 2023/24.
	<b>BACKGROUND DOCUMENTS</b>
	<p>External Auditor Report 2020/21 <a href="#">The Police &amp; Crime Commissioner for Cambridgeshire   2020/21 (cambridgeshire-pcc.gov.uk)</a></p> <p>HMICFRS PEEL Report 2021/22</p> <p><a href="#">PEEL 2021/22: Police effectiveness, efficiency and legitimacy – An inspection of Cambridgeshire Constabulary (justiceinspectorates.gov.uk)</a></p> <p>Commissioning and Grants paper to 26 May 2022 Business Coordination Board <a href="#">22-05-26-BCB-Agenda-Item-12.0-Commissioning-and-Grants.pdf (cambridgeshire-pcc.gov.uk)</a></p>
	<b><u>APPENDICES</u></b>
	<p>Appendix 1 – Bar chart by functional departments rather than budget lines.</p> <p>Departments that cost less than 1% of the budget have not been included.</p>