

CAMBRIDGESHIRE POLICE AND CRIME PANEL	Agenda Item No. 8
27th November 2023	Public Report

Report of Police and Crime Commissioner for Cambridgeshire and Peterborough

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TITLE: CONSTABULARY BUDGET CONSIDERATIONS

1. PURPOSE

- 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.

2. RECOMMENDATION

- 2.1 The Panel is recommended to note the contents of this report.

3. TERMS OF REFERENCE

- 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.

4. BACKGROUND

- 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 2024/25. The Commissioner will then be required to propose and set a local precept. We anticipate that this will be very challenging in the current economic climate. The purpose of this paper is to 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 2024.
- 4.3 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 2023. Once detailed allocations for 2024/25 are provided by government, a refreshed MTFS will be presented to the Panel in early 2024. That MTFS will contain more detail regarding the current position and assumptions for managing finances for the next four years.
- 4.4 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.
- The Commissioner's own expertise and that of the OPCC is used in making assessments together with any external reviews carried out.

5. Fundamental Budget Breakdown Summary

5.1 Whilst the funding and budget for 2024/25 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 The Commissioner is assured that there is already effective financial management and resource planning in place. 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 is the significant strategic steps that have already been taken:

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.

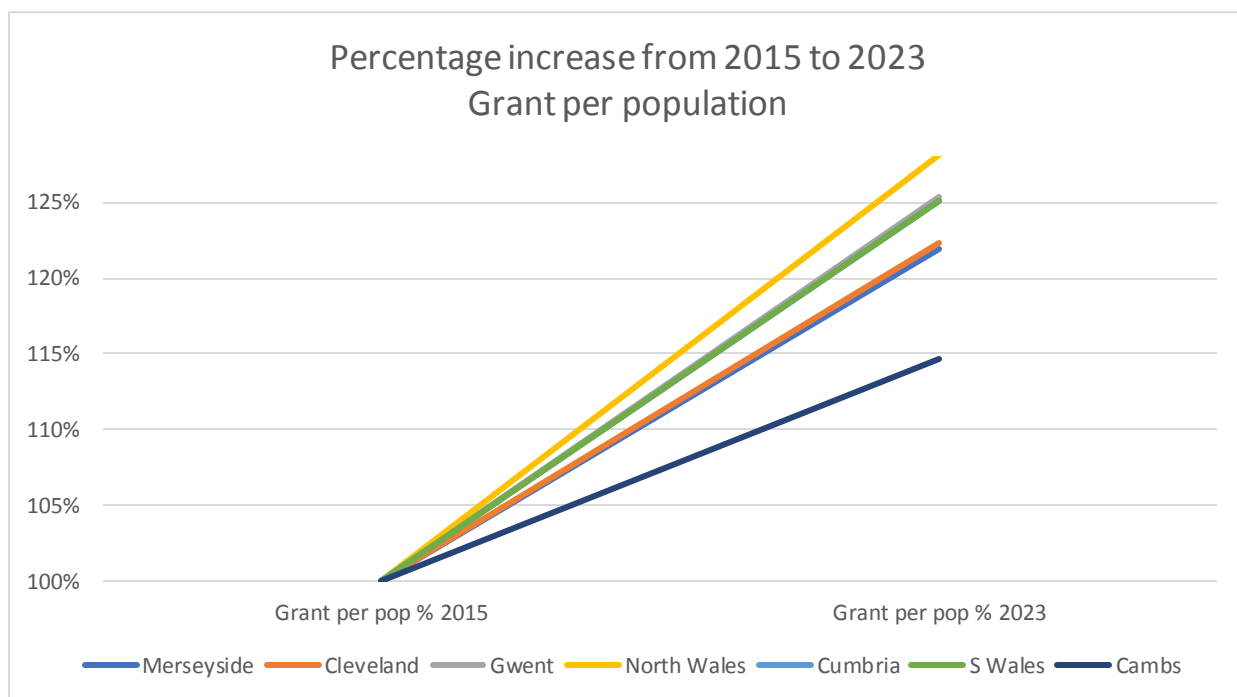
Procurement of goods and services offers opportunity for savings through aggregation of contracts and standardisation of specifications. Cambridgeshire are already part of a 7Force Procurement and the national Bluelight Commercial Services police procurement company. In light of inflationary pressures, it is likely that the benefits of procurement at scale will be reduced cost increases, rather than delivering significant savings.

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.

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. The following charts clearly show the need for reform of funding.

5.3 Nationally the cost pressures facing policing are broadly similar. Trends in policing regarding use of resources, tend, therefore, to follow suit. The following charts demonstrate why the funding position is almost uniquely affecting Cambridgeshire.

5.4 The first chart shows the funding per head of population received from government for a number of forces including Cambridgeshire. The funding formula used has a range of factors that lead to different allocations. The 6 other forces shown are nationally the highest funded per head of population (excluding MPS). The funding formula which is based upon population **has not changed in that period** – to be clear as Cambridgeshire’s population has grown between 2011 and 2021 census by around 11% and the population of Cumbria has practically not grown at all, there has been no adjustment to the funding formula to reflect that. This has led to the following consequence:



Footnote – 2015/16 is the earliest like for like comparator.

Since 2015/16 Cambridgeshire’s funding from government per head of population has grown by 14.71% (cumulative inflation in that period is around 32%). Excluding the Welsh forces as they come under the devolved administration, the other three English forces have seen significantly higher funding than Cambridgeshire. If Cambridgeshire were to have received a commensurate increase in funding from government, it would have meant an additional £7m-£10m in 2023/24.

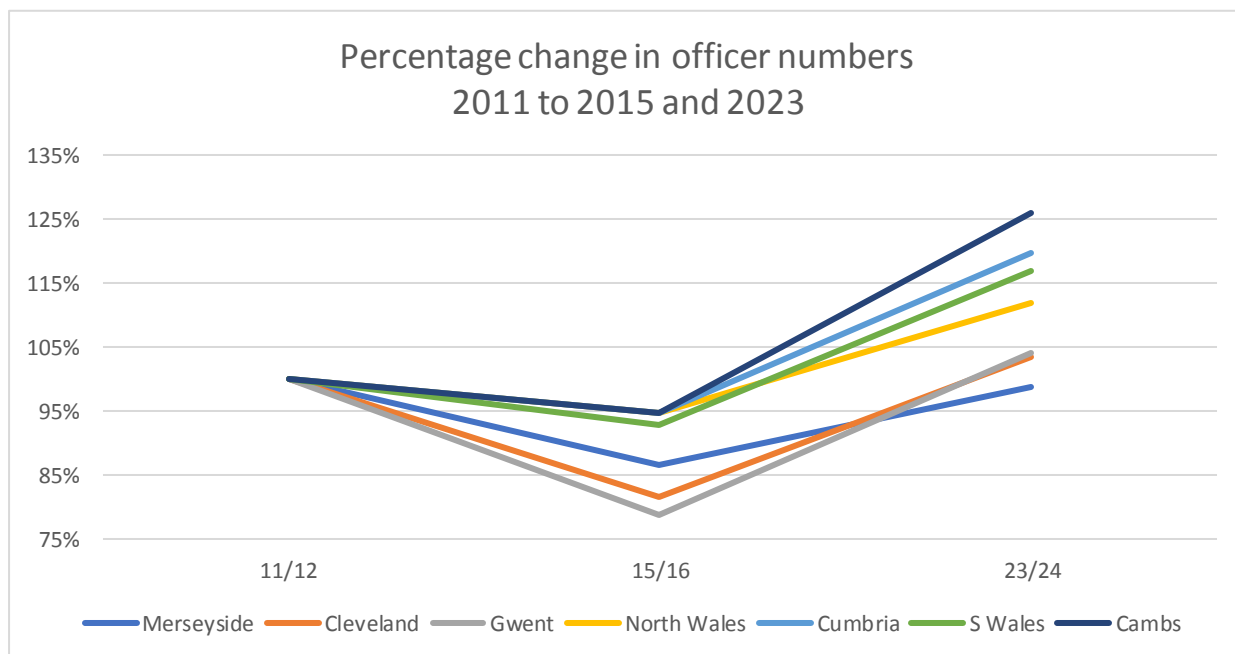
It is worth repeating that the disparity here is caused by the government not updating the funding process with the changing population figures.

This lack of population updates exacerbates the underlying unfairness of the funding formula itself. The below table shows the current funding per head of population from government:

Per head of population

Merseyside	£222
Cleveland	£203
Gwent	£158
North Wales	£136
Cumbria	£162
S Wales	£155
Cambs	£111

- 5.5 What is extraordinary in this scenario is that during the same period of time, for the same forces, there is a stark difference in retention and recruitment of police officers. Despite clearly having the lowest additional grant from government, Cambridgeshire has had the biggest percentage increase of police officers.



5.6 The final chart is an alternative perspective, this time comparing with our most similar group of forces (MSG) as defined by His Majesty's Inspectorate of Constabularies (HMICFRS). The table below demonstrates how Cambridgeshire have prioritised maintenance of officer numbers in budget considerations when compared to our most similar forces.

Most Similar forces	Officers per £m Government Grant
Avon & Somerset	15
Cambridgeshire	18
Devon & Cornwall	16
Gloucestershire	18
Staffordshire	13
Thames Valley	17
Warwickshire	17
Wiltshire	15

5.7 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.

The costs outlined in Sections 5 of this report are gross and exclude specific grants and income of £4.2m.

56.8% of the budget (£101.1m) (56.7% £97.2m for 22/23) 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 (potentially £2.8m).

As such, any savings required as a result of funding shortfalls against cost pressures, would have to be found from the remaining 43.2% (£77.1m) (43.3% £74.3m in 22/23) of the budget.

5.8 24.9% (£44.3m) (25.6% £43.9m in 22/23) 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).

Part of the reason for this relatively low number of police staff is that through the years of austerity, Cambridgeshire protected police officer numbers (as can be seen from the charts above). Therefore, £145.4m of the budget or 82% is made up of employee costs. (£141.1m 82% for 22/23)

5.9 4.2% (£7.4m) (9.3% £16m for 22/23) relates to supplies and services. Some efficiencies are possible through procurement; however, inflationary and economic conditions will make significant reductions challenging. Cambridgeshire are part of the national Bluelight Commercial Services company for UK policing and part of the 7Force Commercial services function, as such national and regional procurement opportunities are already being realised.

5.10 3.2% (£5.7m) (3.4% £5.9m for 22/23) of the budget relates to other partnerships and collaboration, including:

- National policing initiatives agreed collectively such as the National Police Air Service (NPAS)
- Regional Partnerships (Serious Organised Crime and 7Force network)
- Regional Collaborations (Sexual Assault Referral Centre & Kings Lynn Police Investigation Centre)

Within these budget lines, there is little to no local flexibility.

5.11 3.6% (£6.5m) (2.8% £4.8m in 22/23) 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.

5.12 1.8% (£3.3m) (2.8% £4.8m in 22/23) 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 and of course the impact of the sustainability agenda to reduce carbon emissions from buildings and vehicles, which requires investment.

- 5.13 1.8% (£3.3m) (1.8% £3m in 22/23) 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.
- 5.14 0.7% (£1.3m) (0.7% £1.3m in 22/23) of the overall budget relates to the OPCC. The Commissioner's statutory duties have significantly increased since the inception of PCCs, although 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 2021/22, 2022/23 and 2023/24 this has exceeded the cost of the office itself.
- 5.15 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.
- 5.16 The integrated nature of policing is demonstrated in Appendix 1.

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.

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.

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, or it may simply be the person has not been in the normal contact with friends and family and are perfectly fine.

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.

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.

Whilst the functions in the bar chart have broadly been defined as either operational or non-operational services, the reality is that the distinction is not significant as the impact of reducing those non-operational services is felt on the operational units/departments.

5.17 Scenarios

It is possible to stop or reduce 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 at this time.

To be absolutely clear, these are not options currently under consideration.

1. Stop recruiting police officers. There is a natural turnover of police officers either from them choosing to leave the Constabulary or retiring. (In the last three years 500 officers were recruited, of which only 206 were for the uplift programme). Legally there is no reason that the Chief Constable (and it is the Chief Constable's choice) must recruit to fill those gaps. Such action would, however, reduce operational 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 (£2.8m) 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.
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.
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 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.

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 any vacancies, or in effect removing posts, would be felt across the efficiency, effectiveness and coherence of the whole Constabulary.

5.18 Steps that the Chief Constable and the Commissioner will take:

1. Maintenance of rigorous budget management and resource planning (to save cost)
2. Savings plan in place for where they are possible without significant detriment to policing (to save cost)
3. Continued enterprise strategy (to generate income)
4. Continued grant applications (to generate income)
5. Continued lobbying of Government for fairer funding (to generate income)
6. Revised estates strategy for a smaller, better, greener estate

6.0 Capital Programme

- 6.1 The Capital Strategy supports planning and corporate working across the two Corporations Sole (Commissioner and Chief Constable) helping to ensure that assets are used and managed well. The Capital Strategy shows how the capital programme is prioritised, monitored, delivered and evaluated. It provides an overview of how capital expenditure; capital financing and treasury management activity contribute to the delivery of strategic outcomes. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.
- 6.2 The Capital Programme consists of the major infrastructure works that are due to be carried out over the next four years. It also contains forecast spend for the vehicle fleet and ICT programmes along with the Capital Financing for the Programme.
- 6.3 The risk that the Commissioner faces for future years is how to sustain the funding of the capital programme. The Constabulary currently occupies an older estate with only 7% of the assets constructed post 2000. Many of the properties provide poor working conditions with significant refurbishment required. The portfolio is substantially freehold which has led to a culture of remaining on the same site, and making the best of accommodation, even when the location is less than ideal.

- 6.4 The funding strategy for the capital programme currently includes high levels of borrowing with associated interest and capital repayment costs impacting revenue budgets. No capital funding from Central Government is provided to police forces meaning the Constabulary has to fund any capital requirements through borrowing and capital asset disposals where available. In order to mitigate the levels of borrowing, in particular with regard to short life assets such as ICT, revenue contributions to capital are maintained in the budget where possible. The fact that the property estate is ageing compounds these issues further as capital investment and maintenance needs are increasing.
- 6.5 The OPCC and Constabulary, through its Treasury Management Strategy, will aim to minimise these costs through internal rather than external borrowing when cash balances enable this. This has the effect of avoiding interest costs. Cash balances will provide enhanced income to the Constabulary due to the higher interest rate environment.
- 6.6 The Constabulary's capital projects have been directly impacted by general inflation together with other impacts in the construction industry around Brexit, covid and the war in Ukraine leading to significant increases in project costs. The costs of higher levels of borrowing are forecast to have a significant impact on the revenue budget with the high interest rate environment with the Bank of England base rate currently at 5.25%.
- 6.7 The financing of the proposed capital programme will see a necessary shift to higher levels of external borrowing (with £77.7m planned across the 4 year MTFS period representing 81% of the total programme of £96.2m to 2026/27). These are for planned, operationally essential estate developments as well as further investment in ICT, vehicles including ultra-low emission vehicles, and the sustainability agenda across the estate.
- 6.8 The most notable project is the Cambridge Southern Police Station. The Constabulary is also committed to developing a Specialist Training Facility and a new Firing Range with our collaborated partners – Bedfordshire Police and Hertfordshire Constabulary.
- 6.9 The major capital project is to build the Cambridge Southern Police Station.

The project has been subject to robust project management and in accordance with Treasury principles of ensuring ongoing business justification. An Internal Audit report was commissioned and undertaken in 2021/2022 which stated "Overall, we consider

the Constabulary's control framework in respect of the project management of the station to be well designed with a robust governance framework in place and financial management arrangements which are managed closely and regularly.”

After an extensive land search, suitable land was found upon which a new police station and custody facilities could be built. This was in Milton. An Option Agreement to purchase the land was entered into on 1 April 2019. The Option Agreement enabled progress to be made on the detailed design of the building together with the obtaining of planning permission before needing to commit to buying the land.

Planning consent was received in March 2021. The Option Agreement to purchase the land was due to expire on 1 April 2022 and the decision to purchase the land was made at the Business Coordination Board on 5 January 2022.

Planning conditions were applied to the consent, including the need for archaeological exploration. The initial exploratory archaeology identified items of interest and as such a full archaeological examination of the site was required. Due to the value of the contract a formal procurement exercise was required. The consequence of this being that the contract for archaeology was only finalised in early January 2023. On site explorations commenced shortly after and concluded in September. Post excavation work continues on recording and reporting the finds.

A review was commissioned in January 2023 on the existing design plans following changes to the Home Office Custody Design Guide and introduction of Part L building regulations together with dramatic inflation driving increased forecast costs, the purpose of the review being to ensure value for money.

The review provided a large number of opportunities, addressing these three points. Options were assessed against the criteria of Cost, Quality and Risk and assurance. Following this, a decision was taken in June 2023 to pursue the project with Willmott Dixon as partner to construct the police station under a Scape Framework arrangement.

A Pre-Construction Services Delivery Agreement (PCSDA) was approved on 31 August 2023 for the design, design management, construction consultancy and management of the preconstruction stage during RIBA Stages 2, 3 and 4 inclusive for a new police station and custody suite at Milton, Cambridgeshire.

Rapid progress is now being made with “start on site” planned for mid-January 2024.

6.10 The total project cost for the new police station at Milton is expected to be in the region of £44.6m. It is important to note that this is the total cost and not just the construction cost. Therefore, it encompasses all consultant fees, surveys, archaeology, land purchase and planning as well as design and construction costs per the table below.

Item	Estimated Cost £m
Consultant Fees, Surveys and Archaeology	3.7
Land Purchase	4.2
Construction (early works and main contract)	35.7
Fit Out	1.0
Total	44.6

The construction cost is subject to finalisation of the design and market testing packages of work to ensure value for money before final contract award. The Constabulary is holding separately a contingency and risk allowance for the project.

All costs continue to go through due diligence to test and ensure value for money. This is led by the Constabulary's Estates team in conjunction with experienced construction project management consultants. The final costs will be reported through the Constabulary's Project Board for the project to test and challenge the proposals before they are recommended to the PCC for decision through the Business Coordination Board.

6.11 The requirement for a BCH Operational Support Unit (Public Order) training facility and new Firing Range is included in the Capital Programme. The Operational Support Unit training facility reached tender stage; however, escalated costs have led to a review of the design to consider how a more affordable solution can be found. Cost of the project in the capital programme presented to Panel on 1 February 2023 is £12.3m. The arrangement for the funding of this, is that Cambridgeshire will incur the cost and our collaboration partners Bedfordshire Police and Hertfordshire Constabulary will contribute to that throughout the lifetime of the building.

Land has been secured through an Option agreement for the Firing Range project following which planning will be progressed. The arrangement with our collaboration partners is that the land and building will be owned and constructed through a Limited Liability Partnership between the three PCCs. As such the cost at source will be shared. The budget in the capital programme for this is £5.1m.

For the reasons already articulated above, both projects are likely to exceed the costs estimated in the capital programme, neither have received final approval.

A refreshed capital programme will be presented to the Panel in early 2024 with the latest forecasts of project costs.

- 6.12 The proposed capital programme is a significant cost and work has been undertaken to ensure the affordability of the programme in both the MTFs and the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Indicators. However, either self-generated capital receipts or external borrowing are the only available mechanisms to the Commissioner to fund capital expenditure. This does therefore have an increasing revenue consequence.

7. Budget Setting Process 2024/25

- 7.1 The final 2023/24 budget for Cambridgeshire Constabulary and Commissioner's office was a Net Budget Requirement of £178.2m.

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.

General inflation has just fallen from 6.7% to 4.6% and the police officer and staff pay rise for 2023/24 was 7%, higher than the 2% forecast within the government comprehensive spending review. For noting is that the average pay assumption used by PCCs for 2023/24 was 2.5% and the government agreed to fund the additional 4.5% difference. However, the individual force allocations are based on the funding formula and not the actual pay cost, meaning that Cambridgeshire's gap was not fully funded by government.

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. For the year 2023/24 the government increased that flexibility to £15.

The Autumn Spending Review 2023 is scheduled for 22 November, this may provide us with an indication for funding 2024/25 but generally the full settlement is not notified to us until mid/late December.

- 7.2 In preparing the budget requirement for 2024/25, 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.
- 7.3 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 2024/25. The Commissioner will then consider what that means for his precept proposal.
- 7.4 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.
- 7.5 The Commissioner will then present to the Panel his proposed precept for 2024/25.

BACKGROUND DOCUMENTS

Cambridgeshire and Peterborough Police and Crime Commissioner Medium Term Financial Strategy 2023/24 to 2026/27 [mtfs-2023-24-final.pdf \(cambridgeshire-pcc.gov.uk\)](#)

Capital Strategy 2023/24 to 2026/27 [Contents \(cambridgeshire-pcc.gov.uk\)](#)

APPENDICES

Appendix 1 – Bar chart by functional departments rather than budget lines. Departments that cost less than 1% of the budget have not been included.

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