

To: Finance and Resources Committee

From: Chief Constable

Date: 14th December 2009

BUDGET SETTING PROCESS

1. Introduction and Background

1.1 The Committee discussed the Medium Term Financial Plan at its meeting on 20th October 2009, which highlighted a budget gap for 2010/11 of £1.1m (summarised in Table 1 below). For future years the gap increases to a potential £10m. This report updates the Committee with latest progress on the budget process for 2010/11 and beyond and sets out the work in hand to close the gap.

Table 1: Draft Budget 2010/11

	2010/11
	£000
Total Employee Costs	110,948
Goods and Services	27,866
GROSS REVENUE EXPENDITURE	138,814
Total Income	-8,183
NET REVENUE EXPENDITURE	130,631
Finance available:-	
Formula Grant	83,501
Precept (assuming 3% Council Tax Increase)	46,029
TOTAL FINANCING	129,530
BUDGET GAP	1,101
Assumptions	
Band D Council Tax 2009/10	£ 164.70
Increase of 3%	£ 4.94
Band D Council Tax 2010/11	£ 169.64
Council Taxbase (no. Band D equivalent dwellings)	271,334
Taxbase increase	0.50%

1.2 The figures at Appendix 1 demonstrate the effect of different scenarios relating to 3% council tax figure used in the assumptions.

2. Process So Far - 2010/11

- 2.1 At the beginning of September all budget managers were issued with a cash limit, based on their previous year's budget, to work to for 2010/11.
- 2.2 The Chief Constable has already taken the decision to maintain the front-line policing numbers. Therefore both police officer and PCSO budgets have been prepared rolling forward 2009/10 establishments and adding in the costs of increments and the cost of living pay awards already agreed nationally (full year effect of September 2009 award of 2.6% and 2.55% from September 2010)
- 2.3 In preparing the cash limits for budget holders the need to increase budgets for fuel and utilities has been taken into account.
- 2.4 At the end of November and early December star chambers were held with all budget managers to scrutinise the preparation of individual budgets on a line-by-line basis.
- 2.5 As part of this process budget managers are requested to submit service pressures for their area of business and to give the risk of not being able to deliver due to lack of funding.
- 2.6 The service pressures identified by budget managers that cannot be accommodated total £2.4m and include staffing for areas such as financial investigators, national ballistics work, and honour based violence.
- 2.7 There is still further work to do, but the Constabulary would expect to produce a balanced budget at the end of the Star Chamber process.

3. Capital Programme 2010 - 2013

- 3.1 Part of the process of budget setting includes bringing forward a capital programme for the next 3 years or beyond if figures are known.
- 3.2 The programme set out at Appendix 2 has not yet been through the Change Management Board for priority setting hence some bids are shown below the cash line and these have not been included in the financing for the Draft Revenue Budget. At present capital financing takes into account £20.3m of capital costs for 2010/11. Change Management Board is scheduled for 15th December 2009.
- 3.1 For reports in January we will bring back a prioritised capital programme for the Committee to consider.

4. Progress for Future Years

- 4.1 The Director of Finance and Resources has been using the Chief's Seminars to highlight future funding uncertainties to managers across the organisation and as part of the presentation has asked for money saving ideas.

- 4.2 The savings have been split into 3 categories;
- Force wide savings,
 - income generation e.g. advertising conference space at evenings and weekends and
 - doing things differently - which looks at service delivery redesign.
- 4.3 All ideas have been collated into the 3 categories and will be used to direct the discussion at the Force Executive Board away day on 4th December. As this report is being prepared before that date an update of the FEB discussions will be given at the meeting.
- 4.4 While this work may produce “quick wins” that can be implemented in 2010/11 it is intended to require a bigger piece of work which will produce results for the financial year commencing April 2011.
- 4.5 It is also proposed to set up a Budget Task Group to take forward further work.

5. Value for Money Links

- 5.1 The Constabulary received the draft value for money profiles from the HMIC in October 2009. The response to the HMIC on the areas where Cambridgeshire is above or below the average is set out below:-

Outliers on Expenditure

Other Employee Costs: For 2009/10 we budgeted for high expenditure for redundancy costs and expect this category to reduce in 2010/11. Cambridgeshire includes training within this category which may also account for high expenditure when compared to a Most Similar Forces Group (MSFG) who may not use the same classification.

Supplies and Services: Our higher than expected expenditure is due to us including spending that other similar Forces categorise as 3rd Party expenditure, for example, Warwickshire includes Legal Services and Audit Fees in 3rd Party where we include these in Supplies and Services. We have also invested in a major IT restructure to migrate from Lotus Notes and many stand alone systems onto Microsoft. We project that within 18 months expenditure on computing will reduce as a result.

Total Staff: Cambridgeshire has historically been a poorly funded Force; 6th lowest funded Force for Police Officers per 1000 population, 9th lowest for Police staff per 1000 and 4th lowest for total staff. This is confirmed in the profiles which show we have approximately 400 staff less than the national average and 185 staff less than the MSFG average.

Income: The VFM Profile has highlighted this area to us for further investigation. We were surprised that our income is lower than expected as we have fully implemented the ACPO Charging Scheme. Work is now underway to identify how to improve in this area.

Outliers on Staffing: As already mentioned historically we are a poorly funded Force. We are currently up to establishment in staff numbers through recent recruitment campaigns. Any further funding received or savings made would be reinvested in Officer numbers, with the intention of moving us towards the MSFG and national averages.

Outliers on Staff by Function: This area caused us some concern over the consistency in classification of posts. We would seek clarity in relation to this area within the profile. We would wish to confirm that our definition of Community or Specialist Investigators is comparable with other Forces in our MSFG or nationally. We have also not cleansed the front line policing measure data for two years which may impact upon this area. We will be looking into this. However the overall gaps would mirror our already low staff numbers and reflect where service delivery choices have been made previously.

- 5.2 We are now working with our peers to understand how these figures are made up. In the region we have been comparing financial data for 2 years and sharing good practice on driving costs down. As we were unaware of the difference on Income we are working to understand what others classify in this category but we are on a par with our regional partners.
- 5.3 A specific example of driving down costs would be the higher than average costs of ICT where the budget for 2010/11 has been reduced in real terms by 3.8%

6. Recommendations

- 6.1 The Committee is asked to
- a) note the progress on the budget setting process for 2010/11 and beyond,
 - b) confirm the assumptions in the draft budget.

BIBLIOGRAPHY

Source Document (s)	Contact Officer	Location
Medium Term Financial Plan 2010/2013	Niki Howard Director of Finance T. (01480) 425049 F. (01480) 425005 E. niki.howard@cambs.pnn.police.uk	Cambridgeshire Police Headquarters, Hinchingsbrooke Park, Huntingdon, Cambridgeshire, PE29 6NP.
<p>Originating Officer Nicola Howard, Director of Finance</p> <p>Is it considered that this report contains 'exempt information' and should be considered in private? NO</p> <p>If the answer is "YES", please state the nature of the exempt information and the relevant clause(s) in Part 1 of Revised Schedule 12A to the Local Government Act 1972</p> <p>The attached report has been cleared with the undermentioned officers: (delete as appropriate)</p> <p>Chief Executive/Chief Constable and Treasurer</p> <p>Others</p> <p>Submitted on ...2nd December 2009.....</p> <p>A report will not be sent to the Authority unless this box has been satisfactorily completed and all necessary consultation carried out - the responsibility for which rests with the originator (except for consultation with the Chairman and this will be undertaken by the Chief Executive).</p>		

Council Tax Effect on Budget Gap for 2010/11

Sensitivity Analysis		Forecast 2010/11 £'000
Budget Gap - originally stated (Council Tax at 3%)		-1,101
Council Tax Increase at:		
2%	adds	-446
1%	adds	-893
0%	adds	-1,340

Capital Programme 2010/2013

Description of Bid	Proposed Programme 2010/11 £	Proposed Programme 2011/12 £	Proposed Programme 2012/13 £
Land and Buildings			
Parkside Replacement	15,000,000	8,000,000	500,000
Major Repairs Planned	900,000	900,000	900,000
Custody Remodelling	500,000		
Relocate Vehicle Workshop from Bridge St			800,000
Relocate City Police Team from Bridge St			300,000
Permanent Accommodation for Road Policing Unit St Neots			800,000
Northstowe S106 Funding Gap			500,000
Total Land & Buildings	16,400,000	8,900,000	1,400,000
IS/IT Communications			
Network - Core Upgrade	280,000		
Edge Switching for Remote Service	65,000	65,000	65,000
Identity Access Management	230,000		
Microsoft Migration	500,000	500,000	
Desktop Hardware Replacement	210,000	210,000	210,000
Investigations National System	100,000		
Lotus Notes Database Migration	100,000		
Blackberry PDA refresh	60,000	1,000,000	
Genio (Extraction Translation Tool)	200,000		
Data storage	500,000		
Airwave Communications			200,000
GPMS Connection	70,000		
Network Linkages		165,000	
Wireless Local Area Network Comms	15,000	15,000	
National HR System		20,000	
Telewest Communications Contract		800,000	
Total IS/IT Communications	2,330,000	2,775,000	475,000
Support Services			
Hardware for Citizen Experience	60,000	100,000	0
Financial Accounting System	100,000		
Total Support Services	160,000	100,000	0
Vehicles			
New vehicle Equipment	300,000	300,000	300,000
Vehicle Replacement Programme	1,100,000	1,100,000	1,100,000
Total Vehicles	1,400,000	1,400,000	1,400,000
Total Capital Programme	20,290,000	13,175,000	3,275,000
Capital Financing:-	2010/11	2011/12	2012/13
Capital Grants	1,583,000	1,583,000	1,583,000
Capital Receipts / Reserves			
Other Sources of Funding			
Borrowing	18,707,000	11,592,000	1,692,000
TOTAL	20,290,000	13,175,000	3,275,000

FURTHER BIDS TO BE CONSIDERED

ESTATES

Thorpewood Remodelling	3,000,000	3,000,000		
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ICT

Management Information National System	100,000	150,000		Removed by PA - to come back if required
VoIP & Interactive Voice Recognition	500,000	500,000	300,000	
MI & Performance monitoring assuming NMIS replacement development required and no penalties levied for keeping NPIA hw	100,000	150,000		There will be some implications, however if the review indicates, for example, a move from 8 systems to 1-2 systems, the revenue requirement may be minimal or able to utilise existing funds.
KMF Replacement		70,000		2,500 pa
Genio (ETL Tool)	200,000			
Call System/Service Desk/ACD	100,000			
Data Centre	800,000			
Capacity Planning Tools	50,000			There will be some implications, however this is yet unknown. no costs, no idea as yet.
Total	4,850,000			