

Cumbria Police Authority

18 January 2006

Agenda Item No 8b

Budget update 2006-07

A report by the Chief Constable

1. Summary

- 1.1 The purpose of this report is to provide members with an update in relation to the Constabulary's budgetary position for 2006-07. The paper should be seen as supplementary to the Chief Constable's budget prospects paper as presented to members in December. The paper explains some changes to the continuation position as reported earlier and also puts forward a small number of development proposals for members to consider.

2. Recommendations

- 2.1 Members are asked to note and comment on the contents of the paper.

3. Background

- 3.1 Members will recall from the meeting in December, that the Chief Constable submitted a paper setting out the latest position in relation to the cost of a continuation budget for 2006-07, which also contained further details regarding cashable efficiency savings, the financial effect of a small number of development items which the Constabulary had previously put to members, together with the impact of the amending report, supported by additional grant from the financial settlement. They showed, cumulatively, the likely cost of a budget for 2006-07.
- 3.2 A health warning was provided in the earlier report that, for a number of reasons, some of the information contained in the report should be considered as being in draft, not least, those elements of the overall budget which were directly linked to the settlement. Specifically, members will be aware that some details normally provided as part of the settlement were not available at the time of finalizing that paper.

3.3 The purpose of this paper is to provide members with an updated position in the following areas:

- (i) The estimated cost of a continuation budget,
- (ii) The latest position regarding cashable efficiency gains for 2006-07
- (iii) Most recent new developments.

The report concludes with a summary of the overall impact of the above.

4. Continuation position

4.1 Members will recall from the paper in December that the cost of a continuation budget was estimated to amount to £90.3m. A number of refinements have been made to the figures, reflecting, predominantly, the need to react to a number of external requirements. In addition, the recent phased rollout of Airwave across the Constabulary has facilitated, for the first time, a proper assessment of maintenance requirements, a better understanding of when new functionality will be delivered and decommissioning of the existing radio infrastructure.

4.2 The changes are summarised in the table below, and areas of significant change are explained further in the following paragraphs.

Budget area	Amount £'000
Police pay	110
Counter terrorism grant	(30)
Energy costs	70
Airwave	(800)
Total	(650)

4.3 Specific changes worthy of explanation are as follows. Firstly, quite unexpectedly and with no prior warning, the Home Office announced an increase in the new notional employers contribution for police pensions from 24.4% to 24.6%. This will add £110k to the costs of police pay in 2006-07. The manner of the late announcement of this item has been referred to in the Authority's response to the financial settlement, which is set out elsewhere on the agenda.

4.4 In addition, and as referred to above, some key data was not contained in the financial settlement, made on 5 December. Specifically, members will recall the change in approach to providing resources for Counter Terrorism, with funding moving away from general police grant to a specific Counter Terrorism grant. With no details available at the time of the settlement, an assumption was made about the likely value of this grant, and an adjustment has now been made to reflect the actual grant receivable.

4.5 The Constabulary's energy consultant has advised the force in the last few days that new energy contracts are likely to be about 70% more expensive than the current arrangements. An increase significantly above inflation had been factored into the earlier continuation estimates, although there had been no indication of an increase of the scale now being advised. It would seem that recent world events have had a destabilizing effect on wider energy prices across Europe. The constabulary has a variety of contractual agreements in place covering the complete estate. The largest contracts are due for renewal in 2005-06, and the full impact will be felt in 2006-07. Other contracts for smaller sites become due for renewal during 2006-07, and thus the full impact will not be felt until the following year. The original continuation figures presented earlier increased energy budgets by £110k, although, in reflection of the above, a further £70k has now been set aside.

4.6 Airwave costs

Members have been advised of the significant costs of Airwave over a considerable period of time. By the nature of the system, a number of the estimates were, by definition, broadly based, pending the roll out of facilities. With Airwave now operational across the Constabulary, a more detailed assessment of the future costs of the facilities has taken place, including the cost associated with fully decommissioning the old radio infrastructure. This work has revealed that the additional costs of operating airwave are now envisaged to be somewhat less than originally estimated, and the commitment for 2006-07 is about £800k less than originally envisaged. There are three main reasons for this reduction. Firstly, provision has always been made for fallback facilities, which will be required in the event that core systems fail to operate. These facilities are organised on a national basis with an estimated cost to Cumbria amounting to £220k pa. However, the national solution has not yet been agreed and, accordingly, at least for 2006-07, this provision has been removed. Secondly, there are reduced commitments through the procurement of a combined purchase and five-year maintenance deal on Airwave equipment, and the delayed roll out of the infrastructure. This is estimated to amount to £280k in 2006-07. Members were appraised of the impact of this in 2005-06 as part of the budget monitoring report in December. Finally, with more certainty around the timing of the decommissioning, further savings amounting to £300k are now estimated.

5 New Developments

5.1 Members will be aware from the meetings of the Authority in November and December that the Chief Constable and Constabulary have been mindful of the likely effect of the financial settlement and the impact on the Authority's finances. To that end, reflecting as well the current debate about amalgamations within the service, the Chief Constable has made a conscious decision to bring to members' attention only those items which are absolutely essential and would not be affected by any amalgamation. At the meeting on 10 November, members considered a paper from the Chief Constable setting out what he considered

those essential new developments. To remind members, the items as reported previously are set out in the tables below: -

Revenue items

Item	Cost in 2006-07 £'000	Full year cost £'000
Support for PNC Bureau	40	40
Upgrade of the CJX	25	50
Neighbourhood Policing Analyst	25	25
Totals	90	115

Capital items

Item	Total Capital Cost £'000	Annual Running Cost £'000
IMPACT – Full crisp	190	75
IMPACT – Code of Practice for information sharing	65	120
Totals	255	195

Since the report in November, the Chief Constable's stance has not changed. However, during the last few months, the following two items have been brought to the attention of the Chief Officer Team. Having taken account of the benefits they would bring to the Constabulary and the relatively small costs involved, the Chief Constable would propose that members consider the following two items.

5.2 Remote IT access at Local Policing Team sites

The Constabulary IT team is developing a means of providing officers at LPT sites with access to the various force IT systems. This development will allow officers to access E Mails, reports, briefings at their local LPT site rather than having to travel back to their main base station to undertake these tasks. The advantages of this approach are clear: first and foremost, officers will spend less time traveling between their local LPT site and their base station. In a rural county such as Cumbria, this time can be considerable. For example, officers at the Shap LPT site routinely travel to their base station, which is some distance away in Appleby. Such time would be available for front line operational duties if local IT facilities were available. Travelling costs would also be reduced as a consequence of this development. The estimated costs are set out in the following table: -

Item	Total Capital Cost £'000	Annual Running Cost £'000
Lap tops for LPT sites	40	2

- 5.3 Members have seen from earlier budget reports that implementing the various recommendations of the Bichard enquiry has brought about a need for additional funds in a number of areas. The Constabulary has recently assessed the effects on disclosure and vetting processes, and believes that a greater volume of Criminal Record Bureau (CRB) searches will be required and that many will be more detailed than at present. It is estimated that a further three members of staff will be required for the vetting team and two members of staff for the CRB team. The estimated staff costs will amount to £85k, although this will be offset, to some extent, by additional income from fees and charges for this work, estimated at £40k, making the net cost £45k pa.
- 5.4 Members will be aware from the verbal update provided at the December meeting of the Authority, that a bid has been made for an additional 12 PCSO's from the Neighbourhood Policing Fund. For 2006-07, the cost of the officers will be met by specific grant at the rate of 100%, although this will reduce to 75% for 2007-08. The estimated cost to the Authority in 2007-08 of this reduction in grant is approximately £80k. After 2007-08, the Home Office are currently proposing to contribute to the costs of PCSO's out of general grants.

6 Efficiency gains

- 6.1 Members will be aware of the requirements of the general regime, which now requires total efficiency gains of 3% pa, of which at least 1.5% must be cashable. Traditionally, cashable gains were registered by removal from base budgets, and whilst many cashable gains are still recorded in this way, the new efficiency regime now recognises 'technical' cashable gains, which count towards the 1.5% cashable requirement, but are not required to be taken out of annual budgets.
- 6.2 The Chief Constable provided an update to members in relation to the efficiency plan at the December meeting, although it was acknowledged that work was ongoing and that further updates would be provided to members. In the budget update provided to members in December, members were advised that the value of efficiency gains to be removed from the 2006-07 budget amounted to £700k. This work has been refined in recent weeks and it is now estimated that the portion of cashable efficiency gains to be taken out of the 2006-07 budget will amount to £763k. This movement reflects that some earlier proposals have been removed from the plan as the efficiency is no longer forthcoming and that some other efficiencies will not be realised until 2007-08. However, those reductions are more than offset by an increase of £250k in respect of the management of police staff costs, which, for presentation, increases the cost of a continuation by the same amount. The overall position is summarised in the table overleaf: -

	2005-06 £'000	2006-07 £'000
Surplus brought forward	787	1,257
Cashable gains	1,220	763
Cashable gains (technical)	587	200
Total	2,594	2,220
Less target	1,337	1,350
Surplus carried forward	1,257	870

7 Senior Police Officer structure.

7.1 Members will be aware, not least from discussions about proposals for amalgamations, that the structure (and size) of Cumbria's BCU's is significantly different to many other forces. Whilst it is not possible to deal with the issue of size, without taking the significant decision to reduce the number of BCU's to two, some work has been undertaken to look at senior management structures, specifically in BCU's. Members will be aware that the Chief Constable has consistently taken the view that the BCU and Local Policing Teams are the foundation of operational policing for Cumbria Constabulary. More recently, the Home Office have set out an identical position as represented in the Neighbourhood Policing strategy. And specifically, in relation to the proposals to amalgamate forces, the Home Secretary has set out on several occasions that he regards BCU's as fundamental to the future of policing in this country and that, whatever policing structures are out in place for the future, the core role of BCU's will remain and will be enhanced by LPT's. Members may recall during early discussions about amalgamations, that the Chief Constable advised members that BCU structures would need to be strengthened.

Against that background, and reflecting the proposals for change, the Chief Constable is of the view that the process of positioning the Constabulary for change is fundamentally important, and should begin immediately, by implementing a structure based around the establishment as set out in the table below. Implementing the structure as set out would increase costs by £415k, based on average costs. However, as members may recall, the budget for 2005-06 included £375k to meet the costs of additional Inspectors over and above the established figure. It is proposed that this funding, as already contained in the base budget, be earmarked to meet the estimated costs

The principal changes include providing each BCU with a Superintendent, both to strengthen local management teams and to help align structures in Cumbria with those elsewhere. In addition, the proposals set out to rationalise the establishment of BCU Inspectors to 11 in each area, which represents a reduction in three posts, but which is four more than the funded establishment. This change will both add to the strength of BCU management teams, and help to cement the leadership of LPT's in BCU's.

	Chief Supt	Supt	Chief Insp.	Insp.	Totals
Establishment 2005-06	5	6	14	54	79
Budgeted posts 2005-06	5	6	14	61	86
Proposal for 2006-07	5	8	15	58	86

8 Summary

- 8.1 The table below sets out in summary form the effects of the latest position as expressed in the report. Overall, and taking into account the cost of the development proposals as set out above, the draft budget amounts to £89.439m. This is £0.446m less than the draft figures submitted in December.

	December 2005 £'000	January 2006 £'000
Budget Area	£'000	£'000
Estimate of cost of continuation	90,300	90,300
Adjustments from earlier presentation: - <ul style="list-style-type: none"> • Police pay and pensions • Security grant aid • Energy costs • Airwave • Efficiency adjustment (para 6.2) • Removal of 2005-06 non recurring item • Miscellaneous 		110 (30) 70 (800) 250 (45) 15
Latest assessment of cashable efficiencies which can be taken from the 2006-07 budget	(700)	(763)
Proposed developments	90	135
Revenue effect of proposed capital developments	195	197
Total	89,885	89,439

- 8.2 The Treasurer has set out elsewhere on the agenda the implications for Council Taxes covering a range of budgets. The range of Council Tax increases as set out in that report will support budgets as set out in the table below: -

Council Tax increase (%)	Budget (£000)
3	89,850
5	90,363

- 8.3 In light of the budget projections now put forward, the opportunity exists to make some provision for future costs linked to the provision of BCU facilities in North Cumbria, subsequent to the damage sustained as a consequence of the storm damage in January 2005. As members are aware, no detailed specification currently exists for the replacement of the BCU HQ, and there is no certainty at the time of writing this paper in relation to the site of a cell complex for the BCU. It is therefore not possible to provide a detailed estimate of the likely costs involved. Making a more general provision for these costs allows the Authority some flexibility to either contribute directly to future capital expenditure, or, more likely, to finance any new borrowing linked to the Prudential Code.

Michael Baxter
Chief Constable