



Nottinghamshire

POLICE & CRIME COMMISSIONER

Budget 2015-16

January 2015

INTRODUCTION

Since setting his first budget for 2013-14, which was itself challenging, the pressure on the Commissioner's budget has increased substantially. In 2014-15 alone a budget gap of £12.7m needs to be met.

The Government grant continues to be reduced while; any precept increase is restrained by the referendum limit. The position is exacerbated by the inevitable increase in core costs.

Since 2010-11 funding Nottinghamshire has seen its funding reduced by over £42m and in December 2014 it was confirmed that next year's policing grant will be cut by a further 5.1%. Taking inflation into account, this equates to a loss of approximately £10m in Nottinghamshire.

Despite this much has been achieved:

- Real progress is being made with the implementation and review of plans to tackle challenging areas of performance.
- Reductions continue in key areas such as burglary, robbery and vehicle crime.
- The Force is implementing its far-reaching 'Delivering the Future' change programme, focusing on how it can improve every area of the business to become more efficient and effective.
- There is evidence that the introduction of the Crime Resolution and Incident Management team is reducing demand on resources, thereby benefitting communities through the provision of increased frontline capacity.
- The Commissioner and Force have been working closely with regional forces and local partners to reduce cost and maintain service provision. Pivotal to this is the development of a single IT system (with Leicestershire, Lincolnshire and Northamptonshire forces) to enable the sharing of, and access to, information from almost anywhere in the region.
- Successful bids for funding from the Home Office Innovation Fund have seen progress in collaborative projects focussing on the benefits delivered by new technology, including Rapid DNA testing, the introduction of Body Worn Cameras and a Virtual Courts System.
- Nottinghamshire Police has been commended by HMIC for its strong focus on reducing offending and supporting victims.
- Victim satisfaction and public confidence has improved significantly over recent years and work to further embed the Victims' Code of Practice is continuing, overseen by the Deputy PCC.
- Performance continues to improve over the longer term, but recorded crime has increased over the last 12 months.
- Resources provided to local partners and third sector organisations via the Commissioner's own funding streams are delivering real improvements in the support provided to victims; tackling issues such as domestic abuse, sexual exploitation of young people, hate crime

and alcohol-related problems; and the reduction of crime and ASB within our communities.

- During the year the Commissioner became an early adopter for Victims Services, taking over responsibility for commissioning services to deliver this important role. The work to improve the service delivered to victims will continue to develop as newly designed services are commissioned and embedded.
- A focus on early intervention and crime prevention is designed to see demand for services reduced.
- Building on previous years' work listening to rural communities, this year's budget also recognises the importance of rural crime and crime in rural areas, with plans in place to ensure these communities feel that they have sufficient protection.
- The importance of resourcing high crime areas appropriately, with partners, is recognised and work strands are underway to ensure such areas are resourced effectively with key partners.
- The importance of appropriate care for those in mental health crisis has been acknowledged by a wide range of partners, all of whom have signed up to the Mental Health Concordat. To the end of November 2014 there was been a 46% reduction in the number of non-crime related mental health patients detained in the Force Custody Suites.
- Three quarters (75%) of all respondents to the Nottinghamshire Residents Satisfaction Survey reported feeling safe (either very or fairly safe) in their local area when outside after dark.
- Plans to redesign the police estate to make it more suitable for modern day needs are being implemented, reducing overheads and driving modernisation. In turn this work will increase officer visibility as the adoption of new technology becomes more widespread.
- Roughly 50% of local residents responding to surveys and questions have indicated that they are prepared to pay more towards policing.

Throughout the year the Commissioner and the Deputy PCC have been out and about throughout the City and the County meeting and listening to members of the public, stakeholders and partners. The feedback from these visits helps to shape the refreshing of the Commissioner's Police and Crime Plan, for which this budget seeks to provide the appropriate resources.

The budget gap of £11m is being met through efficiencies identified by the force, which also include savings from regional collaboration, and the transformational change programme 'Delivering the Future'.

While a large percentage of these savings will be delivered in-year, more work is needed. The risks relating to the delivery of these efficiencies relate to dependency on regional partners; the rate at which change can be delivered; and the ability of the force to drive the full level of efficiencies needed in-house. Later on in this report, the proposed way forward is discussed in more detail.

1. **BUDGET 2015-16**

The Commissioner is continuing to manage further reductions in funding for the current Comprehensive Spending Review (CSR) and the probable reductions in funding in the next CSR. This budget is based on this premise and has to be taken within the context of the longer term plans of the Commissioner.

1.1. **Funding Levels**

The provisional funding levels have been set by the Home Office and the Department of Communities and Local Government. This anticipated funding is shown below.

| Funding 2015-16 | 2015-16 £m |
|-----------------------------------|----------------|
| Core Grants and Funding | |
| Police & Crime Grant | (126.8) |
| Council Tax Legacy Grant | (9.7) |
| Sub-total Core Grants | (136.5) |
| Precept | (52.4) |
| Collection Fund (surplus)/deficit | (0.7) |
| Total Funding available | (189.6) |

Final confirmation of grant settlement was laid before Parliament in February. No changes were made.

The Referendum Limit was announced at the same time as the provisional settlement and is set at 2% for 2015-16.

There is an estimated £3.0 million required from reserves to finance one-off expenditure relating to the programme of transformational change to deliver medium to long term savings. This is netted by a transfer to reserves of the collection fund surplus and additional precept from the higher than estimated council tax base.

The precept figure above assumes that the Police & Crime Panel support the Commissioners decision to increase precept by 1.98%.

The Commissioner has written to the Home Secretary in relation to single year settlements affecting our ability for medium and long term financial planning and in relation to the amount of grant withheld in the floors mechanism.

1.2 Summary Expenditure

The Commissioner is required to set a balanced budget each year for the following financial year.

With a reduction in grant income of 5.1% and increased pressures from inflation, pay awards and new responsibilities this inevitable means efficiencies have to be identified and delivered in order to balance the budget.

| Expenditure 2015-16 | 2015-16 £m |
|--------------------------------|-----------------------|
| Previous Expenditure | 191.8 |
| In year increases | 8.4 |
| Transformation Programme costs | 2.0 |
| Sub-total Expenditure | 202.2 |
| Efficiencies | (11.0) |
| Use of Reserves | (1.6) |
| Total Net Expenditure | 189.6 |

Inflation increases account for £2.9m of the in year increases above. This is detailed further in the sections relating to expenditure.

Further detail on expenditure and efficiencies is provided later within this report.

At the time of writing this report we had submitted bids for Innovation Fund financing from the Home Office, building on successful bids in the previous two years and the transformational work underway. We will be notified in March as whether our local and regional submissions have been successful.

2. Budget breakdown

Annex 1 details the proposed expenditure budget for 2015-16. The proposed revenue budget is £189.6m.

| Net Expenditure Budget | 2015-16 £m | Note |
|-------------------------------|-----------------------|----------------|
| Employee | 158.8 | 2.1 |
| Premises | 6.0 | 2.2 |
| Transport | 5.9 | 2.3 |
| Supplies & Services | 14.1 | 2.4 |
| Agency & Contract Services | 11.3 | 2.5 |
| Pensions | 4.5 | 2.6 |
| Capital Financing | 6.3 | 2.7 |
| Income | (4.7) | 2.9 |
| Efficiencies | (11.0) | 3.2 |
| Net Use of Reserves | (1.6) | 2.8 |
| Total Net Expenditure | 189.6 | Annex 1 |

2.1 Employee Related Expenditure

Despite the fact that the budget has been reduced by 20% since 2010 the Police and Crime Commissioner has continued to recruit Police Officers and PCSO's. However, Officers continue to leave the Force at a faster pace than anticipated and the predicted impact of a further 20% reduction in funding over the next CSR means that Officer numbers will reduce.

To ensure that this reduction is managed effectively a team has been set up to design and implement a new policing model. Where warranted officers are not required civilians will perform the tasks (e.g. investigators and prisoner handling). This will ensure that local policing remains the top priority.

A pay award has been included in the budget at 1% payable from 1st September each year. Employee expenditure accounts for approximately 80% of the total expenditure budget.

Annex 2 details the budgeted staff movement between the current year and 2015-16. Annex 3 details the budgeted police officer, police staff and PCSO numbers for 2015-16.

2.2 Premises Related Expenditure

Over the past few years the Commissioners estate has been reduced in order to achieve efficiencies, but also to ensure resources are allocated based upon need and to facilitate planned changes in working arrangements. Such changes will include remote working through better technologies ensuring officers are in the communities and not stations and hot-desking to ensure optimal use of the space available.

Premises related expenditure includes the provision of utility services to those properties and these are elements of the budget that are adversely affected by inflation. For 2015-16 inflation for gas and electricity has been budgeted at 2.0%.

2.3 Transport Related Expenditure

The Force has in place a Public Finance Initiative (PFI) for the provision of police vehicles. This agreement ensures that there is always the required number of vehicles and driver slots. However, this is an expensive agreement and requires careful management to ensure the most advantageous service is obtained from the supplier. During the year negotiations with the contractor were successful in identifying areas where expenditure could be reduced and managed better.

2.4 Supplies and Services Expenditure

This category of expenditure captures most of the remaining items such as insurance, printing, communications, information technology (IT) and equipment.

Some of the IT systems that the Force uses are provided through national contracts that the Home Office recharge the Force for. A recent notification from the Home Office sees the total cost of these systems increasing substantially again and we have been informed that total police grant will be top sliced in future for this expenditure.

For all other expenditure an inflation factor of 2.0% has been applied in 2015-16.

2.5 Agency & Contract Services

This category of expenditure includes agency costs for the provision of staff, professional services such as internal and external audit and treasury management, and the costs associated with regional collaboration.

A breakdown of the costs associated with this classification is summarised below:

| Analysis of Agency & Contracted Services | 2015-16 £m |
|---|-----------------------|
| Agency Costs | 0.6 |
| Collaboration Contributions | 6.7 |
| Community Safety Grant | 3.5 |
| Other partnership costs | 0.5 |
| TOTAL | 11.3 |

The costs associated with the use of agency staff have been a concern for sometime and going forward will need to be very carefully managed and reduced.

Regional collaboration is shown as a joint authority as this is the basis of the collaboration agreements. The region has been challenged to deliver savings from across those projects already in place. Nottinghamshire's element of the regional budget is £6.7m for 2015-16.

There are two major areas of transformation that will be delivered through regional arrangements. These relate to IT and Corporate services. Currently, Nottinghamshire is progressing on these areas with Northamptonshire and Lincolnshire. These are large scale changes that will require investment in order to be delivered.

2.6 Pensions

This category includes the employer contributions to the two Police Pension Schemes in place and to the Local Government Pension Scheme (LGPS) for police staff.

There are two areas of increasing costs in relation to pensions. These are the employer contribution to the LGPS and the increasing number of medical retirements of police officers.

The reduced contribution rate to police pensions will not be passed onto individual Forces as a benefit; instead there will be a reduction in police grant.

The impact of the change to employers' national insurance contribution rates for the state pension changes have been factored into the MTFP.

The budgeting for medical retirements remains an issue with the number of medical retirements and the associated costs increasing significantly above the original budget. .

2.7 Capital Financing Costs

This relates directly to the value of the capital expenditure in previous years. The proposed capital programme for 2015-16 has been limited again and priority given to projects where collaborative commitment has been made (e.g. Innovation fund projects). This will assist in managing down the capital costs in the future. Slippage from this financial year will also need to be prioritised.

Currently, market rates are favourable and therefore the cost of borrowing is low. However, our advisors predict an increase in rates commencing in 2015-16.

2.8 Transformational Change Programme

Transformational change will be needed to balance future budgets. The Force have commenced on a programme to deliver this change through Delivering the Future project, which will design how the service will look in 2020 and the changes needed to achieve this. A team has been created to deliver this from experienced and knowledgeable staff and officers in the Force. Consequently, there is a need to temporarily back fill such posts. This is one-off additional expenditure and therefore it is appropriate that the cost will be met from reserves. The reserves figure is shown net of the transfer into reserves from the collection fund and precept.

2.9 Income

This is not a major activity for the Force. Income is currently received from other grants (e.g. PFI and Counter Terrorism), re-imbusement for mutual aid (where the Force has provided officers and resources to other Forces), some fees and charges (such as football matches and other large events that the public pay to attend) and from investment of bank balances short term.

3. Efficiencies

During this CSR the Force will have delivered £42m in efficiencies.

3.1 2014-15 Efficiencies

As part of the 2014-15 budget the following efficiencies were required in order to set a balanced budget.

Each year achieving cuts in expenditure becomes harder and this year the prediction is that there will be a shortfall of just under £1m against the required savings. Any shortfall will need to be met from budget underspends or reserves.

The table below details the efficiencies planned and the forecast position for 2014-15:

| Efficiencies 2014-15 | Original £m | Forecast £m |
|-----------------------------|------------------------|------------------------|
| Collaboration | 0.3 | 0.3 |
| Procurement | 1.3 | 0.9 |
| Estates | 1.4 | 1.0 |
| Corporate Services | 2.9 | 2.9 |
| Fleet | 0.2 | 0.4 |
| Operational Efficiencies | 0.0 | 0.0 |
| Income Generation | 1.2 | 0.8 |
| Commissioners Office | 0.1 | 0.1 |
| Sub total | 7.4 | 6.4 |
| Collaboration | 0.3 | 1.7 |
| Local Policing | 2.0 | 3.8 |
| Systems re-thinking | 2.0 | 0 |
| Regional ICT | 1.0 | 0 |
| Sub total | 5.3 | 5.5 |
| TOTAL | 12.7 | 11.8 |

3.2 2015-16 Efficiencies

In order to balance the budget for 2015-16 savings and efficiencies of £11.0m need to be delivered.

The efficiencies identified to deliver a balanced budget in 2015-16 are summarised in the table below:

| Efficiencies 2015-16 | £m |
|-----------------------------|------------|
| Collaboration | 1.3 |
| Procurement | 0.8 |
| Estates | 0.3 |
| Corporate services | 1.9 |
| Transport | 0.8 |
| Operational Efficiencies | 1.4 |
| Income generation | 0.4 |
| Total | 6.9 |

| Further Savings identified 2015-16 | £m |
|---|------------|
| Collaboration | 0.5 |
| Estates | 0.1 |
| Corporate Services | 0.8 |
| Operational Efficiencies | 1.9 |
| Commissioners Office | 0.1 |
| Other | 0.7 |
| Total | 4.1 |

- 3.3** The Commissioner is of the view that achieving these efficiencies will be challenging. He has mapped out a programme of work and monitoring with the Force.
- 3.4** If these targets are not met the Commissioner will need to use reserves. But this is a one off solution.
- 3.5** The work with Northamptonshire, in setting up a Joint Police Business Support team, is now moving into implementation stages and should be in place for October 2015. There is now a real commitment to make progress quickly with regard to progressing the joint business support unit and IT strategy, which achieve a convergence and investment in new IT systems.

4. External Funding

There is an assessment of the financial risk in respect of external funding currently provided. In 2014/15 29 officers and 59 staff FTE's are funded through this external funding and are not added within the expenditure and workforce plans. This could be an additional pressure in 2015-16 and future years as funding pressures mount for partners.

If this external funding was to cease the Commissioner and the Chief Constable would consider the necessity for these posts and may decide not to fund from the already pressured revenue budgets.

2015-16 Commissioner's Total Budget (£m)

| | Total Budget 2015-16 |
|--|-------------------------------------|
| Payroll | |
| Police Pay & Allowances | 103.1 |
| Police Overtime | 3.3 |
| Police Staff Pay & Allowances | 51.5 |
| Police Staff - Overtime | 0.4 |
| Other Employee Expenses | 0.5 |
| | 158.8 |
| Other Operating Expenses | |
| Premises Running Expenses | 6.0 |
| Transport Allowances | 0.7 |
| Transport Costs | 5.9 |
| Equipment, Furniture & Materials Expenses | 0.4 0.1 |
| Clothing, Uniform & Laundry | 0.5 |
| Printing & Stationery | 0.6 |
| Comms & Computing | 5.9 |
| Miscellaneous Expenses | 2.2 |
| Supplies & Services | 3.7 |
| Agency & Contract Services | 11.3 |
| Pensions | 4.5 |
| Capital Financing | 6.3 |
| | 48.1 |
| Total Expenditure | 206.9 |
| Income | |
| Special Services | (0.3) |
| Fees, Reports & Charges | (0.3) |
| Other Income | (3.9) |
| Other Operating Income | (0.2) |
| | (4.7) |
| Efficiencies | (11.0) |
| Net Use of Reserves | (1.6) |
| | |
| Total | 189.6 |

Workforce Movements Budget 2014-15 v Budget 2015-16

| | 2014-15 Total FTE's | 2015-16 Total FTE's | Movements FTE's |
|------------------------|------------------------------------|------------------------------------|----------------------------|
| Police Officers | | | |
| Local Policing | 1,393 | 1,306 | (87) |
| Specialist Services | 507 | 493 | (14) |
| Corporate Services | 43 | 42 | (1) |
| Region | 90 | 81 | (9) |
| | 2,033 | 1,922 | (111) |
| Police Staff | | | |
| PCSO | 329 | 253 | (76) |
| Other Police Staff | 1,268 | 1,221 | (47) |
| | 1,597 | 1,474 | (123) |
| TOTAL | 3,630 | 3,396 | (234) |

Workforce Plan FTE's

| | 2015-16 | | | | |
|------------------------|----------------------|---------------------------|--------------------------|--------------|--------------|
| | Local Policing FTE's | Specialist Services FTE's | Corporate Services FTE's | Region FTE's | Total FTE's |
| Police Officers | | | | | |
| Opening balance | 1,393 | 507 | 43 | 90 | 2,033 |
| Restructure | - | - | - | - | - |
| Retirement / Leavers | (87) | (14) | (1) | (9) | (111) |
| Recruitment | - | - | - | - | - |
| | 1,306 | 493 | 42 | 81 | 1,922 |
| Police Staff | | | | | |
| Opening balance | 380 | 465 | 396 | 27 | 1,268 |
| Restructure | - | - | (47) | - | (47) |
| Recruitment | - | - | - | - | - |
| | 380 | 465 | 349 | 27 | 1,221 |
| PCSOs | | | | | |
| Opening balance | 329 | | | | 329 |
| Recruitment/ Leavers | (76) | | | | (76) |
| | 253 | 0 | 0 | 0 | 253 |
| Opening Balance | 2,102 | 972 | 439 | 117 | 3,630 |
| Movement | (163) | (14) | (48) | (9) | (234) |
| Closing Balance | 1,939 | 958 | 391 | 108 | 3,396 |