



Nottinghamshire

POLICE & CRIME COMMISSIONER

Budget 2014-15

INTRODUCTION

The Commissioner set his first challenging budget for 2013-14 and unlike previous years where the force was underspent by year end this year the force are predicting a small overspend, which will be met from reserves. Despite this much has been achieved:

- Performance continues to improve
- An independent base budget review has been undertaken highlighting areas for further improvement and providing reassurance on the areas where the force were intending to deliver savings from.
- An independent BME research study has been undertaken involving the communities in shaping things for the future.
- A conference across all stakeholders was delivered in relation to Alcohol. This has resulted in a partnership strategy and action plan.
- The Deputy Commissioner has commissioned a piece of research into Domestic Violence medium risk, which is being delivered by local third sector providers and supported by academic research by a local university.
- The Commissioner has registered interest with regional colleagues in the transforming rehabilitation agenda and is working closely with MOJ officials to enable a smooth transition.
- The Commissioner and Deputy Commissioner provided small grants to 28 third sector organisations working on police & crime plan priorities.
- The Commissioners plan to employ more police officers and PCSO's is on target for delivery over the three years.

Both the Commissioner and the deputy have been out and about throughout the City and the County meeting and engaging with the public, stakeholders and partners. They have listened to what has been said and have made the following specific inclusions to the budget for 2014-15:

- Introduction of a Rural Alert system
- The introduction of Rural special constables
- The creation of a Prevention fund
- The expansion of the GPS tagging system for an extra 20 tags to improve the management of prolific offenders
- Preparation for the commissioning of victims support and Restorative Justice services to the Commissioner from October 2014.

These new initiatives will be funded from the efficiencies identified by the force, which also include savings from regional collaboration and the transformational change programme through the target operating model. A percentage of these will be delivered in year, but more work still needs to be done. The risks relating to the delivery of these efficiencies relate to the dependency we have on regional partners and the rate at which change can be delivered and the ability of the force to drive the full level of efficiencies needed in-house. It is possible that recruitment will need to be slowed down or suspended, before ultimately considering the use of reserves if the efficiency targets don't get fully implemented.

1 BUDGET 2014-15

The Commissioner is continuing to manage further reductions in funding for the last year of 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. Provisional 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.

Provisional Funding 2014-15		2014-15 £m
Core Grants and Funding		
Police & Crime Grant		(133.6)
Council Tax Legacy Grant		(9.7)
Sub-total Core Grants		(143.3)
Precept		(50.5)
Collection Fund (surplus)/deficit		
Total Funding available		(193.8)

Final confirmation of grant settlement will be laid before Parliament in February. It is not anticipated that there will be any changes.

At the time of writing this report we had been informed that the Referendum Limit would not be confirmed until mid-February, after the statutory deadline for Commissioners to notify the Panel of the proposed precept level. This risk continues to be monitored and managed.

There is an estimated £2.0 million required from reserves to finance one-off expenditure relating to the programme of transformational change to deliver medium to long term savings.

The precept figure above assumes that the Police & Crime Panel support the Commissioners decision to increase precept by 1.96% and that the Referendum limit remains at 2%.

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 4.8% 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 2014-15	2014-15 £m
Previous Expenditure	196.9
In year increases	9.6
Transformation Programme costs	2.0
Sub-total Expenditure	208.7
Efficiencies	(12.7)
Use of Reserves	(2.0)
Total Net Expenditure	193.8

Inflation increases account for £2.3m 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.

During 2013-14 the Commissioner requested an Independent Base Budget Review to identify any further areas where efficiencies could be found and to consider the work already underway within the force. This provided assurance that the force were looking at the areas expected and made some recommendations on where some things could be improved. These have been incorporated within the transformational change programme. Account has also been given to the recent published HMIC Value for Money Profiles.

At the time of writing this report we had just received notification of successful bids for Innovation Fund financing from the HO. We have been successful in relation to a bid for early intervention work on child abuse £42,966 and a cross agency working bid of £50,014. Regionally we have been successful in relation to a regional Forensics bid £226,000, regional ICT bid and a regional transformation team bid. Due to changes in the forces collaborating for the ICT bid the amount awarded is being verified. The amount specific to 2014-15 is also being re-calculated and there will be an opportunity to bid for additional Innovation funds in 2014-15.

2. Budget breakdown

Annex 1 details the proposed expenditure budget for 2014-15. The proposed revenue budget is £193.8m.

Net Expenditure Budget	2014-15 £m	Note
Employee	163.7	2.1
Premises	6.7	2.2
Transport	5.9	2.3
Supplies & Services	14.6	2.4
Agency & Contract Services	12.7	2.5
Pensions	3.9	2.6
Capital Financing	4.1	2.7
Transformation Programme costs	2.0	2.8
Income	(5.0)	2.9
Efficiencies	(12.7)	3.2
Use of Reserves	(2.0)	2.8
Total Net Expenditure	193.8	Annex 1

2.1 Employee Related Expenditure

The Police & Crime Commission has made a promise to increase frontline policing by 150 and PCSO's by 100 within his term of office. This budget is based upon a second year of increases towards those targets.

Despite the continuing reduction in funding available the Commissioner has made significant progress in increasing the number of Police Officers and PCSO's in line with his election promises. By April 2015 there will be 2,142 police officers an increase of 120 since 2012-13 and 375 PCSO's an increase of 75 since 2012-13.

Police Officer leavers have been higher than originally anticipated, but are expected to meet budgeted expectations for 2014-15.

A pay award has been included in the budget at 1% payable from 1st September each year. Employee expenditure accounts for approximately 85% of the total expenditure budget.

Annex 2 details the budgeted staff movement between the current year and 2014-15. Annex 3 details the budgeted police officer, police staff and PCSO numbers for 2014-15.

2.2 Premises related expenditure

Over the past few years the force 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.

The force are currently working on a target operating model that should assist estates business planning in identifying where police stations are required and where they are no longer providing an effective service. This is supplemented by a programme to develop further co-location with partners to provide a joined up public services.

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 2014-15 inflation for gas and electricity has been budgeted at 7.5%.

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.

Hired vehicles are also used and these are obtained from a regionally tendered contract.

The fuel for the vehicles is also subject to inflationary increases and for 2014-15 this has been budgeted for at 2.5%.

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 by 16% in 2014-15. This is significantly out of step with all other inflation factors.

For all other expenditure an inflation factor of 2.0% has been applied in 2014-15.

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	2014-15 £m
Agency Costs	0.8
Collaboration Contributions	7.2
Community Safety Grant	3.5
Other partnership costs	1.2
TOTAL	12.7

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 2014-15 onwards across those projects already in place. Nottinghamshire's element of the regional budget is £7.2m for 2014-15.

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. Such funding will where appropriate be made through the use of reserves and with a business case approved by the Commissioner.

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.

At the time of writing this report the Chief Finance Officer and the other local Chief Finance Officers were still waiting on information from the actuarial following their triennial valuation of the pension scheme. Early indications were that the fund had performed very well with investment returns being higher than anticipated and liabilities being lower than anticipated since the last valuation in 2010. Despite this the Actuaries are still recommending an

increase to the contribution rates. This has currently been budgeted at 1% (£0.5m) for 2014-15. Once the result of the valuation is known we will be in a position to decide if it is efficient and effective to also make a one off payment to reduce the level of debt on the scheme.

The budgeting for medical retirements has become an issue in 2013-14 with the number of medical retirements and the associated costs increasing significantly above the original budget. This is currently under review with the aim of improving budgetary information.

2.7 Capital Financing Costs

This relates directly to the value of the capital expenditure in previous years. The proposed capital programme for 2014-15 is higher again than the programme for 2013-14. This will result in higher capital financing costs in 2015-16 than 2014-15. These costs are also related to the achievement of a capital programme with no slippage and where the borrowing required is made. The proposed capital programme for 2014-15 is £8.397m and the current estimated slippage from 2013-14 into 2014-15 is £4,254k with a further amount of £930k being slipped to 2015-16.

Currently, market rates are favourable and therefore the cost of borrowing is low.

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 a target operating model (TOM), 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.

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-imbursement for mutual aid (where the force has provided officers and resources to other forces), some fees and charges such as football matches (inside the ground) other large events that the public pay to attend and from investment of bank balances short term.

This is an area under review by the force.

3. Efficiencies

During this CSR the force has delivered £42m in efficiencies without which the service provided would not have improved performance and police officer and staff numbers would have had to be cut further.

3.1 2013-14 Efficiencies

As part of the 2013-14 budget the following efficiencies were required in order to set a balance budget.

As a result of the year on year cuts and better budget planning the force have found 2013-14 to be a difficult year for remaining within budget. This is reflected by an indication that they might be making a request for use of reserves £1.7m. This puts an additional pressure on 2014-15 budgets.

The table below details the efficiencies planned and the forecast position for 2013-14:

Efficiencies 2013-14	Original £m	Forecast £m
Collaboration	0.5	0
Procurement	2.0	0.5
Estates	1.0	0.4
Corporate Services	1.0	1.5
Fleet	0.2	0.2
Operational Efficiencies	1.0	0
Vacancy Rate	2.8	2.2
Commissioners Office	0.1	0.1
TOTAL	8.6	5.5

3.2 2014-15 Efficiencies

In order to balance the budget for 2014-15 efficiencies of £12.7m need to be delivered. The force is working on delivering major transformational change for the future some of which may start to deliver savings in 2014-15.

Further consideration is being given to make further immediate in year savings (eg agency, consultants and temporary acting up arrangements).

The efficiencies identified to deliver a balanced budget in 2014-15 are summarised in the table below and supplemented by the savings to be achieved from TOM giving a total savings of £12.7m.

Efficiencies 2014-15	£m
Collaboration	0.3
Procurement	1.3
Estates	1.4
Corporate Services	2.9
Fleet	0.2
Operational Efficiencies	0
Income generation	1.2
Commissioners Office	0.1
Total	7.4

TOM savings 2014-15	£m
Collaboration	0.3
Local policing redesign	2.0
Systems Thinking	2.0
Regional ICT	1.0
Total	5.3

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 has made it clear that the pace of recruitment in 2014-2015 will be slowed or stopped.

What's more he is mindful that should there be some slippage in implementing these efficiencies then some limited use of reserves may be required to smooth the implementation.

3.5 The discussion with Northamptonshire and Lincolnshire Police and Crime Commissioners is at an advanced state. There is now a real commitment to make progress quickly with regard to establishing a joint business support unit and IT strategy, which achieve a convergence and investment in new IT systems.

A programme team will be established to deliver the work over a short time frame. The cost of the programme team will be met from a combination of the Home Office Innovation Fund and reserves.

4. External Funding

There is an assessment of the financial risk in respect of external funding currently provided. In 2013/14 30 officers and 62 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 2014-15 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.

2014-15 Budget (£m)

	Total Budget 2014-15
Payroll	
Police Pay & Allowances	105.8
Police Overtime	4.0
Police Staff Pay & Allowances	52.7
Police Staff - Overtime	0.5
Other Employee Expenses	0.7
	163.7
Other Operating Expenses	
Premises Running Expenses	6.7
Transport Allowances	0.7
Transport Costs	5.9
Equipment, Furniture & Materials	0.4
Expenses	0.2
Clothing, Uniform & Laundry	0.6
Printing & Stationery	0.6
Comms & Computing	6.4
Miscellaneous Expenses	2.0
Supplies & Services	3.7
Agency & Contract Services	12.7
Pensions	3.9
Capital Financing	4.1
Transformational Change Programme	2.0
	49.8
Total Expenditure	213.7
Income	
Special Services	(0.3)
Fees, Reports & Charges	(0.4)
Other Income	(4.1)
Other Operating Income	(0.2)
	(5.0)
Efficiencies	(12.7)
Use of Reserves	(2.0)
Total	193.8

Workforce Movements Budget 2013-14 v Budget 2014-15

	2013-14 Total FTE's	2014-15 Total FTE's	Movements FTE's
Police Officers			
Local Policing	1,621	1,674	53
Specialist Services	356	346	(10)
Corporate Services	33	28	(5)
Region	99	94	(5)
	2,109	2,142	33
Police Staff			
PCSO	340	375	35
Other Police Staff	1,260	1,326	66
	1,600	1,701	101
TOTAL	3,709	3,843	134

Workforce Plan FTE's

	2014-15				
	Local Policing FTE's	Specialist Services FTE's	Corporate Services FTE's	Region FTE's	Total FTE's
Police Officers					
Opening balance	1,621	356	33	99	2,109
Restructure	20	(10)	(5)	(5)	-
Retirement /					
Leavers	(69)	-	-	-	(69)
Recruitment	102	-	-	-	102
	1,674	346	28	94	2,142
Police Staff					
Opening balance	468	413	343	36	1,260
Restructure	(74)	68	5	1	-
Recruitment		25	41		66
	394	506	389	37	1,326
PCSOs					
Opening balance	335	-	-	-	335
Recruitment	40	-	-	-	40
	375	-	-	-	375
Opening Balance	2,424	769	376	135	3,704
Movement	19	83	41	(4)	139
Closing Balance	2,443	852	417	131	3,843