



**Approach to the Budget Strategy**

**Task and Finish Group**

**Final Report**

**January 2014**

## **Members**

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## **Introduction**

This report outlines the findings of the Task and Finish Group set up by the Cleveland Police and Crime Panel (PCP) to examine the budget strategy of the Police and Crime Commissioner.

Setting of the budget is a key responsibility of the Commissioner and they must notify the Panel of the proposed precept by 1 February. The panel in turn must report its views on the precept to the PCC by 8 February. The Panel may make reports and recommendations for consideration during the budget setting process.

The Task and Finish Group was established to understand the key issues and financial pressures as part of the budget setting process for 2014-15 and beyond, in order to inform the work of the Panel and PCC. This included both the longer term financial planning process and the impact of the 2014/15 Government grant settlement. This settlement was announced on 18 December during the timescale of the Group's work.

This reports sets out the findings and recommendations and is intended to assist the Panel by providing assurance on the key issues that have been considered by the PCC.

## **Overall Findings and Conclusions**

- 1.1 The Group has found that there is a strategy in place to balance the overall budget for 2014-15 and 2015-16. However, the level of grant reductions has necessitated additional reductions in the numbers of police officers, PCSOs and staff for the Cleveland area, and important details remain unresolved for 2014-15. Under current forecasts, significant further work is needed for 2016-17 and beyond. It is currently forecast that there will be a budget gap of £11.5m by 2017-18.
- 1.2 The Group recognise the pressure on the 'community safety funding' and the removal of the ring fence. Members believe that the PCC should give full consideration to the importance of the prevention agenda and the wider benefits of such community safety services, including the impact on the success of the Police and Crime Plan, and ensure that partners are fully engaged in discussion before decisions are made.
- 1.3 As of the last meeting of the Group (21 January), decisions had not yet been made on the spending priorities for the majority of the community safety funds for 2014-15. There is therefore very little time to notify organisations and CSPs, and this should be concluded as soon as possible to give certainty to both partners and current providers.
- 1.4 Due to the ever increasing need for effective allocation of scarce resources and competing demands, the Group would support any move to develop objective criteria for the allocation of funding for community safety initiatives in the 2014-15 and future years.
- 1.5 The Group wishes to examine further the potential use of PCC reserves and request that additional information on the reserves held by the PCC be considered at the Panel on 5 February, including the 'Robustness of Estimates and Adequacy of the Financial Reserves' report.

- 1.6 As with previous years, the Government announced the 2014-15 (one year) settlement in mid-December and this reduces the amount of time available to plan for all PCCs. This has been exacerbated by the announcement that the 14-15 council tax precept capping limit will not be confirmed until after PCCs are required to notify the Panel of their intentions. The Group recommends that the Panel and/or PCC lobby the government to express its dissatisfaction with the timescale and highlighting the difficulties caused.
- 1.7 Due to the ongoing need to review the budget strategy, it is recommended that the Panel consider re-constituting the Task Group during 2014-15. This would allow Members to consider both the funding pressures but also the achievement of current savings plans and initiatives.
- 1.8 The Group further recommend that the full Panel receive a mid-year financial update, potentially based on the quarterly PCC monitoring reports, in order that they have early sight of progress on the achievement of saving plans and any emerging issues.

### **Detail**

- 2.1 The Group met three times between October and January to undertake its work. Members heard evidence from the Police and Crime Commissioner and the PCC's Chief Finance Officer, and were supported by representatives of Stockton Council's Community Protection and Democratic Services.
- 2.2 The Group considered the following items during its work:
  - Long Term Financial Plan 2014-18 (as of 30 July 2013)
  - 2013-14 Quarters 1 and 2 PCC Budget Monitoring Reports
  - PCC Group Balance Sheet (as of 31 March 2013)
  - Summary of 2013-14 Budget (including non-pay items)
  - Letter from PCC/Chief Constable to stakeholders (5 November 2013)
  - Updates on Police Savings and Transformation Programmes: Agile (Estates/technology); Orbis (organisational structure); Force Sickness Levels; Management of Time off and rest days in Lieu; Transformational Leaderships Programme
  - Summary of 2013-14 Community Safety spending (by Borough)
  - Examples of police force collaboration schemes from elsewhere
- 2.3 The detail of the draft budget for 2014-15 and future projections was considered at the Group's meeting of 21 January. A summary of this information will be included in papers elsewhere on the agenda (for PCP meeting of 5 February) and therefore is not repeated here.

### **The budget challenge**

- 2.4 Police funding is made up of government grant, the police precept on council tax, other specific grants (eg. for PFI schemes), and income (eg. earnings through secondments). Changes in the main Government grant funding to Cleveland Police Authority/PCC between the period 2011-12 to 2013-14 have been as follows:

2011-12	-£5.3m	(-5.1%)
2012-13	-£6.5m	(-6.7%)
2013-14	-£1.5m	(-1.6%)

- 2.5 At the start of the Group's work, taking all factors into account as they known at the time, it was projected that the PCC would be facing a budget gap of £6.7m by 2015-16, and £17.9m by 2017-18.
- 2.6 The final settlement for 2014-15 was announced on 18 December. In the Comprehensive Spending Review (CSR) June 2013, it was announced that the overall police budget was to be reduced by 3.3%. However the national budget was top-sliced for a number of initiatives: £50m for the Innovation Fund; £2m for the National Co-ordination Centre; £18m to fund extra activity by the Independent Police Complaints Commission; £9.4m for a new programme of force inspections; £2.8m for the police Direct Entry Scheme; £2.5m for the Capital City Grant for the City of London. For Cleveland, this equates to an 'extra' reduction of £900k for 2014-15.
- 2.7 The total final grant for 14-15 is being reduced by £4.5m (4.8%). Together with reductions in other grant funding, the overall effect in real terms is to reduce spending power in Cleveland by £28m between 2011 and 2015.
- 2.8 CSR 2013 included a national reduction of 3.2% in police grant for 2015-16. In December it was announced that the Home Office budget would be reduced by an additional £113m and it has been assumed that some of this cut will be passed on to the police grant.
- 2.9 Therefore although the final 15-16 settlement has not yet been confirmed, it is assumed that Cleveland's grant will fall by c.£4.5m (5%). It has further been assumed that grant funding will fall further by -2.5% each year between 2016 and 2018, however this is subject to many variables.
- 2.10 It is important to note that the draft budget for 2014-15 and longer term plan rely on a precept increase of 2% each year. Any change in government policy regarding the capping of Council Tax rises will impact directly upon the overall plan.
- 2.11 Any Council or PCC that chooses to exceed the identified cap for a particular year must put that decision to a local referendum. The Group found that the government would not announce its final determination in relation to the cap limit for 2014-15 until mid-February, which would be after the statutory deadline by which the PCC needs to inform the Police and Crime Panel of his intention regarding the precept.
- 2.12 This creates the situation where the PCC and the Panel are not able to have certainty about the setting of the budget and precept, even at such a late stage in the process. Should the precept limit be set at a figure lower than is notified and/or agreed locally, the PCC may then need to amend the budget prior to another round of consultation with the Panel.
- 2.13 At the time of the Group's last meeting, Members were informed that the PCC was considering the most appropriate way to put forward his proposals to the full Panel. It is recognised that any force-wide council tax referendum and potential re-billing process would be an expensive exercise, the cost of which could potentially negate any agreed rise in precept above the limit.

## PCC Expenditure

2.14 The PCC's spending falls under the following broad headlines: Office of the PCC, Community Safety/Victims and Witnesses, Corporate Costs, and the Police Force. The Group has considered the approach to meeting the funding gap across these areas.

### Office of the PCC

2.15 The Group discussed the relative reductions in spending on the running costs of the Office of the PCC. In 2013-14 there was a substantial reduction of 22.6% to £930k. This in large part reflected the shift from the Police Authority structure and associated costs to the focus on supporting one elected official.

2.16 It is also now planned to reduce the OPPC budget by 4.8% in 2014-15, followed by 3.4% in 2015-16. It is currently forecast that the running costs will then stabilise at £850k per year.

2.17 It is recognised that the Office of the PCC must be sufficiently resourced to enable the effective discharge of the Commissioner's role and policy commitments; however it may be necessary to consider further reductions from 2016-17.

### Community Safety Initiatives

2.18 The Group was particularly keen to understand the plans for the funding of community safety initiatives. Until 2013-14, a Community Safety Grant was made available to local areas and had been allocated by the Home Office directly to Community Safety Partnerships, Drug and Alcohol Action Teams (DAATs), Youth Offending Teams (YOTs), and other groups.

2.19 Since 2013-14, the funding has been controlled by the PCC and has this year continued to be passed through to Community Safety Partnerships, Youth Offending Teams, arrest referral, and a range of smaller initiatives. A breakdown is as follows:

<b>Community Safety Funding Allocations</b>	<b>2013/14</b>
Drugs Intervention/Arrest Referral Scheme	£828,034
Contribution from Hartlepool re:above	<b>-£134,034</b>
Hartlepool Community Safety Partnership	£78,910
Stockton Community Safety Partnership	£228,081
Middlesbrough Community Safety Partnership	£257,376
Redcar and Cleveland Community Safety Partnership	£116,586
Youth Crime Offending and Prevention (see below for allocation)	£250,000
Safer Future Communities	£10,000
Give it a GO	£1,615
Street Triage	£17,000
Contribution to HALO	£15,000
Violence Against Women and Girls Strategy	£7,000
Rural Crime Conference	£300
<b>Total Planned Expenditure</b>	<b>£1,675,868</b>

Total Funding Available	<b>£1,698,000</b>
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Unallocated Funding	<b>£22,132</b>
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<b>Youth Crime Offending and Prevention - Allocations</b>	
Hartlepool	£61,250
South Tees	£128,250
Stockton	£60,500
	<b>£250,000</b>

- 2.20 A breakdown of current schemes funded by each Community Safety Partnership (CSP) and of YOT funding per area is outlined at Appendix 1.
- 2.21 For 2014-15, the funding has been rolled into the main government grant and is no longer ring fenced for 'community safety' activity. The Group note that the responsibilities of the PCC are widening and from 2014-15 the PCC will be allocated £250k for some witness and victim services, with further funding to follow in future years. In the budget process, this money is being grouped with the remaining 'community safety funding'.
- 2.22 During the Group's work the Drug Intervention/Arrest Referral scheme has been subject to an efficiency review and savings of approximately £400k have been identified that will enable the scheme to continue in an amended form. In addition it has been agreed to continue funding of the YOTs, after making a 20% reduction to £200k.
- 2.23 With £250k being allocated for the witness/victim work, the draft budget indicates that there would be approximately £1m of 'community safety funding' for 2014-15.
- 2.24 As this funding is no longer ring fenced there is no requirement for this money to continue to be spent on 'community safety' schemes and therefore it may be reduced over the medium term. The overall funding pressures also means that the PCC is constrained in terms of not being able to make recurring commitments at this stage and so organisations are unlikely to be allocated multi-year funding agreements.
- 2.25 In addition, the Group notes that had the council tax base and collection rates not improved to the extent that they largely neutralised the additional reduction in government grant funding for 2014-15, the 'community safety fund' would have come under severe pressure in the immediate future, due to the difficulty in making further, quick savings from the police budget (particularly as reductions in police officer numbers cannot be accelerated).
- 2.26 Given the situation, the Group queried the impact on providers and were assured that current recipients have been given no guarantees in relation to any continuation of funding. As of the last meeting of the Group (21 January), decisions had not yet been made on the spending priorities for the remaining money for 2014-15. There is therefore very little time to notify organisations and CSPs, which will have various employment implications, and an impact on planning.

- 2.27 The Group is very keen to stress the importance of these initiatives both in terms of contributing directly to the Police and Crime Plan, and the contribution to the prevention agenda and any reduction in such services may cause increased demand in the limited resources of the police and partners.
- 2.28 These services are particularly relevant to the 2013-16 Police and Crime Plan priorities of 'Diverting people from offending, with a focus on rehabilitation and the prevention of reoffending', and 'Developing better coordination, communication and partnership between agencies to make better use of resources'.
- 2.29 As shown in Appendix 1 current schemes cover a range of key issues, including but not limited to Integrated Offender Management in each Borough, domestic violence, diversionary activities for young people, and young persons' substance misuse.
- 2.30 As the funding is already subject to competing demands, and will no doubt be subject to further pressure, it is increasingly important to effectively and objectively prioritise the use of funds, in line with the Police and Crime Plan. The Group would support any move to develop objective criteria for the allocation of funding for community safety initiatives in the 2014-15 and future years.

#### **Police Force Savings**

- 2.31 The majority of the funds available to the PCC are allocated to the police force, and therefore the savings required impact heavily on the service. In response to CSR 2010, a number of measures have already been completed or were being undertaken. This included a freeze on recruitment, the application of the A19 regulation requiring police officers to resign on 30 years service, the outsourcing arrangements with Steria, and reduction in costs at the corporate centre. Other initiatives such as the force restructure and introduction of the force-wide function model continued to be rolled out.
- 2.32 In 2010 the Force had 1727 police officers, and this had reduced to 1391 by November 2013. The Group were informed that the majority of the savings over the next two years would be achieved via further reductions in headcount regarding police officers, Police Community Support Officers (PCSOs), and police staff. These savings on pay will be c. £8m over two years.
- 2.33 The Force now plans to move to a sustainable operating model of 1333 officers to deliver policing in Cleveland. PCSO numbers are due to stabilise at 132 fte, and police support staff at 151fte. A presentation was given to stakeholders including the area's Borough Councils in order to inform Members of this strategy. As the last recruitment took place in March 2010, a period of limited recruitment is planned for 2014-15 in order to ensure that the workforce is refreshed.
- 2.34 A voluntary redundancy scheme will be established to achieve the reductions in PCSOs and staff.
- 2.35 It is important to note that at the level of 1333 officers, Cleveland will have 2.4 officers per 1000 population, above the national average of 1.9. This partly reflects the level of need in the area. In order to attempt to maintain this, there will need to be ever greater focus on savings and efficiency elsewhere.

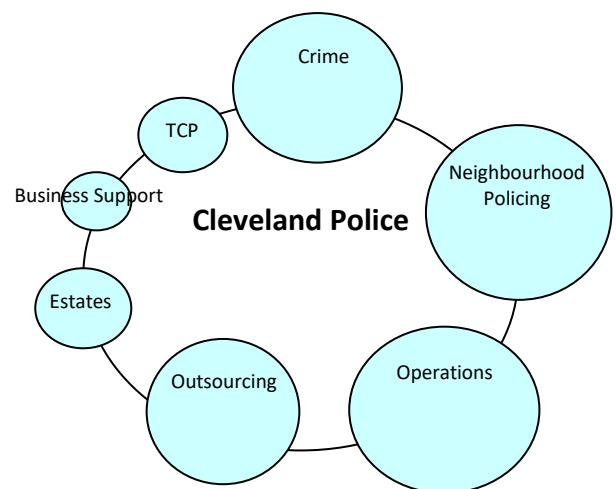


- 2.36 The Group wanted to understand what alternative ways of making savings were being undertaken by the force/PCC. The Group found the following:
- 2.37 **Organisational structure** (Orbis Programme) – by end of March 2014 the force will operate with a number of force-wide commands: Tasking, Coordination and Performance; Neighbourhoods and Partnership Policing; Crime and Justice Command; Operations Command. The pilot for the integrated Neighbourhood Teams had started in Middlesbrough in November and was reported to be progressing well.
- 2.38 **Sickness absence and levels of Time off in lieu (TOIL) and Rest days in lieu (RDIL)** – the Group requested information on these matters regarding the effectiveness of the organisation. Work is undertaken by management teams to monitor and challenge sickness issues, and support for staff such as health initiatives are in place (eg. ‘Healthy Hearts’). Future plans include enabling direct referral to the NHS Time to Talk talking therapies service, and the force will soon be undertaking a ‘stress audit’ to see how this issue affects staff. As of November 2013, the force was projected to see a reduction in sickness levels for 2013-14 compared to the previous year (9.44 days per officer compared to 10.86).
- 2.39 The levels of outstanding balances of TOIL and RDIL are now monitored by the force Executive, and there has been a significant reduction in the total amount of TOIL and RDIL outstanding, and the number of officers exceeding the agreed limits. For example, the total amount of TOIL hours outstanding has reduced by 52.4% between April 2012 and October 2013 (23374 down to 11130), and the total RDIL days outstanding has reduced by 40.8% over the same period (9733 to 5759).
- 2.40 **Outsourced arrangements** – Cleveland Police already has in place large scale outsourcing of business support functions to Steria and custody functions to Tascor. All police officers are being moved out of Steria and it is planned to further review these contracts in light of recent changes (for example, fewer staff in the organisation) to ensure they remain fit for purpose. As a result of the organisational change process, the proportional distribution of available resources within the force will be as follows:

2013/14 Resource Distribution



2016/17 Resource Distribution



- 2.41 **Better utilisation of estates and ICT (Agile Programme)** - this includes the project to replace the force headquarters. It is the stated intention to dispose of the Ladgate Lane base and options are being reviewed to determine the way forward. The Group noted that a new headquarters was not necessarily guaranteed and options would consider utilisation of existing buildings; however it is acknowledged that certain elements of the current HQ such as the control centre would not be easily replicated in existing provision. The overall cost of the solution was intended to be cost neutral.
- 2.42 To support the Agile programme, in January Cleveland were awarded £650k out of the national Innovation Fund. £350k of this will be used to support mobile information technology. However the Group noted that the government had imposed restrictions on the grant meaning it needed to be spent by the end of March 2014.
- 2.43 **Collaboration with other forces** – Cleveland Police currently undertakes a number of joint/shared arrangements with other police forces. These arrangements are outlined at Appendix 2.
- 2.44 Joint working of this nature can take place either between police forces or with other public sector partners. Numerous examples on collaboration exist. From Cleveland’s own partnerships with the national air service, and with Durham for traffic and firearms, to large scale semi-mergers such as the Strategic Alliance between West Mercia and Warwickshire (merged operational services and joint appointments below Deputy Chief Constable level).
- 2.45 As an example, the Group considered the future work being considered in Surrey. Funded via the Government’s Public Services Transformation Network, partners on this ‘blue light’ project include police, ambulance, fire and the County Council. This ‘Emergency Services’ strand is part of a much wider piece of work that includes public sector assets, young people’s skills, and social care. The project is at the early stages but proposed areas of focus include response, contact centre and dispatch, prevention (eg. that aimed at young people and vulnerable adults), civil contingencies, operational support (eg. estates, fuel, occupational health), and support services (IT, HR, etc).
- 2.46 The Group requested that the PCC outline the approach to further joint working. It was recognised that there are greater opportunities for joint working and that early discussions had taken place in some areas, including the fire service, and opportunities may exist in premises and training. It was recognised that each organisation had its own programme of work and governance structures, and the discussions on further collaboration would need to be handled carefully but the potential was there.
- 2.47 £300k of the Innovation Fund award outlined above will be used to strengthen partnership working across boundaries, building on the success of the joint Cleveland and Durham arrangements. The Group would support exploration of further opportunities such as greater collaboration with other police and public sector partners.
- 2.48 A number of savings have been realised or are planned from these areas as a whole, and between 2014-16, non-pay savings (including on contracts and procurement) should total c.£3.7m. In the longer term further savings must be realised by these initiatives if the Force is to minimise the impact on the frontline.

## **Operation Sacristy**

- 2.49 The Group found that the costs of the Sacristy investigation to date were being met via a special government grant and therefore was not being met through the PCC's total budget, and that should this work have continued into 2014-15, Cleveland Police would apply for additional government support. In early January it was announced that this investigation had concluded.

## **Use of Reserves**

- 2.50 It is planned that the general fund balance for 2014-15 will be c.£7m and to hold it at this level in future years. The Group found that in a more certain financial situation, it may have been recommended that reserves be held at a level of 3% of the total budget. Due to the level of financial uncertainty in future years, it has been deemed prudent to hold reserves at a level of c. 5%. There was no statutory guidance on this issue however the PCC needed to give due reference to the opinion of the Chief Finance Officer.
- 2.51 Members understand the need for caution due to the uncertain financial climate, however the Group would welcome further consideration as to what may be considered an adequate level of reserves. It was noted that anti-social behaviour has risen across the force and some crime types have increased; it was considered that it may reach a point where reserves may be released to address the issues in some way.
- 2.52 The 'Robustness of Estimates and Adequacy of the Financial Reserves' report was not available during the Group's work but will be considered by the PCC as part of the budget process. The Group recommend that this report and any other relevant information on use of the reserves be brought to the Panel on 5 February.

## **Future cuts in funding**

- 2.53 Due to the measures outlined in the draft budget and planned work, the Group is assured that there is a plan in place to achieve the savings required up to 2016. It should be noted that there is a continuing impact on the frontline as witnessed by the additional reductions in police officers and PCSOs, on top of the reductions that were introduced as a result of CSR2010.
- 2.54 It is being assumed that the police service will face future central government cuts in line with the wider public sector beyond 2015-16. For Cleveland, it is clear that from 2016-17, there are significant challenges. The budget gap is projected to be £6.3m in that year, and reach £11.5m by 2017-18.
- 2.55 The Group considered whether further lobbying of the government and others was being undertaken. The PCC has confirmed that lobbying has taken place, including in conjunction with the National Association of PCCs. However the Group agree that it is prudent to assume future grant reductions of 2.5% per year.
- 2.56 There are a number of risks with the overall strategy; particularly the potential for increased demand on services, larger grant cuts than expected, and a failure to deliver the current savings proposals on time and to target.

- 2.57 Due to the ongoing need to review the budget strategy, it is therefore recommended that the Panel consider re-constituting the Task Group during 2014-15. This would allow Members to consider both the funding pressures but also the achievement of current savings plans and initiatives.
- 2.58 The Group further recommend that the full Panel receive a financial update mid-2014-15, potentially based on the quarterly PCC monitoring reports, in order that they have early sight of the achievement of saving plans and any emerging issues.

## Appendices

### Appendix 1 Funding allocated to YOTs and via Community Safety Partnerships

<b>YOT allocations 2013/14</b>	<b>£</b>
Hartlepool	61,250
South Tees	128,250
Stockton	<u>60,500</u>
	250,000
<b>Community Safety Partnerships 2013/14</b>	
<b>HARTLEPOOL</b>	
Independent Domestic Violence Advisor	20,000
Integrated Offender Management	25,910
Neighbourhood Safety (JAGs and annual ASB Awareness Day)	<u>33,000</u>
	78,910
<b>MIDDLESBROUGH</b>	
Integrated Offender Management	136,000
DV Co-ordination	14,639
Young person's substance misuse service	56,736
Integrated Youth Support Service	<u>50,001</u>
	257,376
<b>REDCAR &amp; CLEVELAND</b>	
CSP Support team and campaigns	85,471
Integrated Offender Management	<u>31,115</u>
	116,586
<b>STOCKTON</b>	
Integrated Offender Management	55,000
Domestic violence service delivery	46,397
Rapid access to drug treatment services for offenders	53,485
Young people's substance misuse service	18,378
Youth engagement / diversion from offending	<u>54,821</u>
	228,081

## Appendix 2

### Current Collaboration Initiatives

Collaboration	Parties Involved	Scope / Terms of Reference
Specialist Operations Unit	Cleveland and Durham	<p>The unit comprises the following business areas:</p> <ul style="list-style-type: none"> <li>▪ Firearms Operations</li> <li>▪ Firearms Training (Urray Nook)</li> <li>▪ Armed Response Vehicles (ARV)</li> <li>▪ Road Policing Unit (RPU)</li> <li>▪ Motorcycles</li> <li>▪ Collision Investigation</li> <li>▪ Casualty Reduction</li> <li>▪ Traffic Management</li> <li>▪ Camera Enforcement</li> </ul>
Tactical Training Centre Urray Nook	Cleveland and Durham	Recognised nationally as a centre of excellence, ensuring high calibre training but requiring fewer officers because of the collaboration arrangement
North East Regional Organised Crime Unit	Cleveland, Durham & Northumbria	The collaboration facilitates access to additional Home Office funding and assists in fulfilling the strategic policing requirement
Regional Intelligence Unit	Cleveland, Durham & Northumbria	Acknowledges the need to share and collate intelligence on criminal activity across the region.
Forensic Science Services (FSS)	Cleveland, Durham, Northumbria & 4 Yorks/Humbs Forces	This enables a single contract to be awarded, ensuring unit costs are lower than could be achieved by Forces acting individually.
Air support	National service with flying hours per force allocated annually	West Yorks lead