



Approach to the Budget Strategy

Task and Finish Group

Final Report

January 2015

Members

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Introduction

- 1.1 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.
- 1.2 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.
- 1.3 A Task and Finish Group was established during 2013-14 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.
- 1.4 It was agreed that the Task and Finish Group should resume its work in 2014-15 given the ongoing pressure on police budgets and challenging long term position, and the need to monitor the achievement of the planned 2014-15 savings.
- 1.5 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

- 2.1 The Group found that:
 - the savings plans for 2014-16 are well advanced and set to be achieved overall. This should ensure a balanced budget for that period. Using the information currently available, General Fund reserves will be used to balance budget in 2016-17 and further savings will need to be identified to address a gap of £2.6m in 2017-18 rising to £6.5m in 18-19. The overall financial position therefore remains challenging;
 - to partly address the budget gap for 2015-16, the PCC proposes a 1.99% precept rise;
 - the Police Office and PCSO staff numbers have stabilised ahead of schedule, and to avoid further reductions in frontline capacity, future savings will increasingly need to come through collaboration, and better ways of working including estates and technology. The demand on the police continues to evolve and the Group is conscious of the ever increasing pressure on resources, including non-'visible' police activity;
 - the process for allocating community safety funding/ PCC Initiatives has further developed, and there is scope for partners including Community Safety Partnerships to develop programmes on a multi-year basis, subject to the submission of a business case. The Group reiterates its support for the community safety work undertaken through use of this funding and its

importance to the achievement of the PCC's Police and Crime Plan, and local Community Safety Plans.

Detail

- 3.1 The Group met three times between November and January to undertake its work. Members heard evidence from the Police and Crime Commissioner and Office representatives, the Acting Chief Constable, and LA Community Safety officers.
- 3.2 The Group considered the following items during its work:
- Executive Summary of the 2013-14 Task and Finish Group Final Report
 - 2014-15 Budget Monitoring Report (to end of September 2014)
 - Long Term Financial Plan (to August 2014)
 - HMIC Report – Responding to Austerity – Cleveland Police (July 2014)
 - Summary of budget for PCC Initiative, Victims and Witnesses, and MoJ Competed Fund
 - Example papers from the PCC's Partnership and Commissioning Scrutiny Panel
 - Draft Community Safety Partnership Business Cases for 2015-16 projects
 - Updated Summary Long Term Financial Plan Position (Projections January 2015)
- 3.3 Some information was not yet available to the Group and was requested to be provided in the report provided to the Panel on 3 February. This includes the breakdown of the impact of accepting the Government's Council Tax Freeze Grant for 2015-16, and usage of Reserves.
- 3.4 The Group are conscious that naturally the budget impacts on the full range of work undertaken and commissioned by the PCC. Therefore there are clear links to other Task and Finish Groups in particular those covering the Commissioner's Priorities, and Shared Services; and this report does not seek to replicate consideration of those issues in detail.

The financial challenge

- 3.5 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%)

- 3.5 In 2014-15 the final grant was reduced by £4.5m or 4.8% and the overall funding available to the PCC was reduced by 2.3%.
- 3.6 During the period of the Group's work the grant reduction of £4.5m in 15-16 was confirmed, and this was broadly in line with expectations.

Future reductions in funding

- 3.7 It is not yet possible to say with certainty what the position will be in relation to the Government grant from 2016-17 onwards as it remains subject to many variables; however the budget picture remains extremely challenging for the foreseeable future.
- 3.8 The Group note that the upcoming General Election will precede a Comprehensive Spending Review. The PCC continues to plan on the basis of ongoing reductions in government grant of 2.5% in future years and the Group agrees that this is a prudent approach.
- 3.9 As noted below savings plans are in place to balance the budget for 2014-16, however there is currently a projected budget gap of £6.5m by 2018-19 which is still to be addressed.

Police Precept

- 3.10 The PCC has undertaken extensive engagement work with communities across the force area. He reports that the feedback he has received indicates that residents do not want to see further reductions in visible/frontline policing and are in the most part prepared to pay a rise in Council Tax precept to avoid additional cuts.
- 3.11 The government has stated that any proposed rises above their cap limit would trigger a referendum.
- 3.12 The PCC has confirmed that a proposal for a 1.99% rise in precept will be put forward for 2015-16. For 15-16 this would equate to additional funding of c.£0.5m.

PCC Expenditure

- 3.13 The PCC's spending falls under the following broad headlines: Office of the PCC, Community Safety-PCC Initiatives/Victims and Witnesses, Corporate Costs, and the Police Force.

Achievement of savings plans

- 3.14 The savings required during 14-15 equated to c.£7.4m, and £5.6m in the following year. Attached at **Appendix 1** is a breakdown of the planned/achieved savings for the period 14-16. Achievement of these savings will see a balanced budget for that period.
- 3.15 The Group found that the majority of these have been achieved with the main areas of risk relating to contract and procurement, and the Group noted that work is ongoing to resolve these areas which amount to £1.9m.

- 3.16 The main savings are from staff salaries including police officers and PCSOs, following the adoption of the new operating model and restructure. A quicker than anticipated reduction in police officer numbers has led to an early achievement of this area of savings, and is the main driver behind the predicted budget surplus for 2014-15.

Police Force Savings

- 3.17 The majority of the PCC's funding is allocated to the police force. As part of last year's work, the Group was 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.
- 3.18 In 2010 the Force had 1727 police officers, and the Force has moved to a sustainable operating model of 1333 officers to deliver policing in Cleveland. PCSO numbers are due to reduce to 132 FTE.
- 3.19 Following the impact of the restructure, the police do now have a period of stability in terms of numbers and for the new operational model to bed in.
- 3.20 The Group was pleased to note that the force had recruited during 2014-15 with 23 trainee officer in place by January, with plans for further tranches of recruits over the next three years. This will refresh the workforce and ends the five year recruitment freeze.
- 3.21 The Group discussed the ongoing work to reduce sickness levels. The force is in the 3rd bottom quartile out of all the forces. There has been a reduction in short term sickness and the force will be receiving further advice during a visit from a national intervention team in January. The Group were pleased to note the supportive approach of the employee representative organisations and unions.

HMIC Value for Money Inspection

- 3.22 In relation to the police element of the PCC's responsibilities, the Group found that additional assurance could be found from the latest HM Inspectorate of Constabulary (HMIC) report. HMIC is reviewing each force's response to the financial challenge. In July 2014 the latest report on Cleveland found that:
- as a proportion of its overall budget, the savings requirement was higher than most other forces, and in 2013-14 the force area had the fourth highest level of crimes per head of population in England and Wales;
 - the force spends more on policing per head of population, has higher numbers of officers per head of pop., and had a higher cost for officers per head of pop., than most other forces;
 - the total workforce (officers, PCSOs, and staff) had reduced, and of the remaining workforce the proportion on operational frontline roles (instead of 'operational support' or 'business support') had increased from 76% to 87% between 2010 and 2015. This compares to 74% increasing to 78% across England and Wales;

- the force was projected to lose proportionately more police officers than other forces;
- out of the remaining police officers, the proportion working on the frontline had increased from 87% to 91%. This compares to 89% and 92% in England and Wales.

3.23 The judgements were as follows:

Overall Value for Money – Good

To what extent is the force taking the necessary steps to ensure a secure financial position for the short and long term? - Outstanding

To what extent has the force an affordable way of providing way of providing policing? -Good

To what extent is the force efficient? - Good

Community Safety - PCC Initiatives / Victims and Witnesses

3.24 During 2013-14, the Group considered the process for the funding of a range of community safety activity including the work of Community Safety Partnerships, Youth Offending Teams, arrest referral, and a range of smaller initiatives. This had been ring fenced prior to 2014-15 but from that year the funding had been rolled into the main government grant. During the period of the Group's work the allocations to 'community safety' programmes had not been finalised and there was uncertainty about the amount of funding available.

3.25 It was noted that the process had developed during 2014-15 and there is also more certainty about the level of funding available in the medium term.

3.26 The element of the PCC budget allocated to this area of spending is now termed 'PCC Initiatives'. Spending in this area is monitored by the PCC via the Partnership and Commissioning Scrutiny Panel, and the Group considered examples of the papers from these. The breakdown of 2014-15 spending is attached at **Appendix 2**. (nb. the reference to Ministry of Justice Competed Fund monies is in relation to one-off funding secured through that process).

3.27 Organisations interested in using this funding must make a business case for their project, and the Group reviewed joint proposals put forward by the four Cleveland Local Authorities on behalf of the CSPs.

3.28 The Group noted that community safety partnerships were formulating bids for funding over 3 years for three programmes building on existing priorities and approaches:

- ASB and Offending – Early Intervention / Youth Diversionary Activities
- Independent Domestic Advisory Service
- Single Cleveland Integrated Offender Management Service.

- 3.29 This would be a welcome approach and would enable some stability for these services and contributes towards ongoing innovation.
- 3.30 The Group heard about the importance of these programmes to the success of local Community Safety Plans, and would reiterate its belief in 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 that any reduction in such services may cause increased demand in the limited resources of the police and partners.
- 3.31 The group is keen to see ongoing appraisals of the effectiveness of the programmes funded via this method, and the continual need to demonstrate the added value provided. This is important for relatively new areas of work such as restorative justice which has shown some early promising results.
- 3.32 Victims and Witnesses' commissioning was a new responsibility for PCC's in 2014-15, and additional funding and responsibilities will be introduced in 2015-16.

Impact on the frontline

- 3.33 As noted above, balancing the budget has had a direct impact on the amount of police, PCSO and staff resource available to meet demands.
- 3.34 It is not possible to draw a direct link between the causes of all crime and the level of police officers and PCSOs available in a given area; however the Group is very conscious to the pressure on frontline services and the possible impact of any future reductions in available resources.
- 3.35 The Group noted that (as of January) crime across the force area was projected to see some increase during 2014-15. This was partly due to improved methods of recording and some volume crime rises. ASB was projected to remain at similar levels to 2013-14.
- 3.36 The Group has discussed the demand arising from priority issues such as protecting vulnerable people, including child sexual exploitation, and the impact of evolving issues such as counter terrorism. It is the role of the Chief Constable to allocate resources to deal with these matters on an operational basis, using the total resources allocated by the PCC.
- 3.37 Managing public expectations and explaining the full scope of police activity to residents will be ever more important.

Future savings plans

- 3.38 In the longer term further savings must be realised through non-pay activity if the Force is to minimise the impact on the frontline.
- 3.39 The Group noted that savings from the impact of the new Headquarters development had been factored in from 2017-18 onwards. Improved ways of working including the estate and technology continue to be reviewed.
- 3.34 The PCC updated the Group on the progress of collaboration activity and the PCC continues to work with Durham and North Yorkshire PCCs/ Police in particular, together with ongoing talks with the fire and ambulance services.

- 3.35 This will be explored further in the Shared Services Task and Finish Group. That project will review the scope of potential joint work, what is needed to enable further joint work, who may be involved, and how any challenges can be overcome.
- 3.36 The Group was also pleased to see that the PCC was commissioning a piece of work to understand the reductions in public funding across all relevant public services across Tees. This reflects the need to be aware of the role, and capacity, of all partners in preventing and tackling crime and disorder.
- 3.37 Following the Group's recommendations from last year, the full Panel now receives a mid-year update on the PCC Financial Position and looking ahead this will continue to be important to ensure the Panel is kept updated across all the issues covered in this report.

Appendix 1 - Progress against 2014-16 Savings Plans (September 2014)

	2014-15	2015-16	Totals over the 2 years
Savings Summary PCC and Corporate Costs	£k	£k	£k
Office of PCC	45	30	75
Corporate Costs			
Minimum Revenue Provision	180	35	215
Interest Payable	100	65	165
Printer Lease	45		45
Corporate Costs Total	325	100	425
Arrest Referral Services/PCC Initiatives	400	375	775
Total PCC and Corporate Savings	770	505	1,275
Savings Summary - Police Force			
Police Pay			
Reduction in Police Officer Numbers - Orbis	3,150	1,450	4,600
National Changes to Police Officer T&Cs	350	340	690
PCSO's Pay			
PCSO vacancies deleted and ER/VRs	390	390	780
Lower Employer pension contribution rates	60		60
Staff Pay			
Staff vacancies deleted and ER/VRs	1,085	630	1,715
Lower Employer pension contribution rates	80		80
Pay Savings Total	5,115	2,810	7,925
Non-Pay Savings			
Contract and Procurement Savings	800	1,900	2,700
Estates Rationalisation	120	70	190
Professional Fees	300		300
Other non-pay savings	135	100	235
Collaboration	75	230	305
Mounted non pay	40		40
Non-Pay Savings Total	1,470	2,300	3,770
Total Savings	7,355	5,615	12,970

Appendix 2 - Overview of Expenditure on PCC Initiatives and Victims and Witnesses Services

	2014/15	Forecast 2015/16
<u>PCC Initiatives</u>	<u>£000s</u>	<u>£000s</u>
Arrest Referral	140	240
Youth Offending	200	200
Adult Protection Contribution	27	27
Local Safeguarding Childrens Board Contribution	54	56
SARC Contribution	43	43
Crimestoppers Contribution	19	19
Criminal Justice Board Contribution	18	25
Cleveland Womens NetWork Support	4	
ASB Diversion	120	120
IDVA Services	120	120
Community Safety Fund	471	
Integrated Offender Management	248	
Safer Future Communities	10	
Cadets Contribution	36	36
Total PCC Initiatives Expenditure	1,510	1,266

2014/15 Budget	1,510	1,490
Budget Remaining	(0)	224

	2014/15	Forecast 2015/16
<u>Victims and Witnesses</u>	<u>£000s</u>	<u>£000s</u>
My Sister's Place	21	42
Society for the Promotion & Advancement of Romany Culture (SPARC)	15	30
Women's Support Network	23	46
ARCH	16	
SARC	71	70
Barnado's	45	60
2013-14 Unallocated Funding remaining		
Additional ISVA services (ARCH)	13	
<u>Restorative Justice</u>		
RJ Co-ordinator Post	30	32
Victims Referral Services		325
Total Victims and Witnesses	234	605

2014/15 Budget	250	615
Budget Remaining	16	10

<u>MoJ Competed Fund</u>	<u>£000s</u>	<u>£000s</u>
Improving Victim Experience of CJS	108	
Increasing Victim Safety and reducing intimidation	63	
Supporting Young Victims	29	
Building Confidence and Awareness	37	
Total Competed Fund	237	0

One off Funding from MoJ

Glossary of Terms

ASB – Anti-Social Behaviour

CSP – Community Safety Partnership

DV - Domestic Violence

FTE – Full Time Equivalent

HMIC – Her Majesty’s Inspectorate of Constabulary

IDVA – Independent Domestic Violence Advisor

IOM – Integrated Offender Management

MoJ – Ministry of Justice

PFI – Private Finance Initiative

RJ – Restorative Justice

SARC – Sexual Assault Referral Centre

YOT - Youth Offending Team