

Police Authority Meeting
Thursday, 20 January 2011
Report of the Chief Constable

10a BUDGET OPTIONS 2010/11

1. Purpose of Report

- 1.1 To inform Members of the budget options currently being developed by the Chief Constable.

2. Information and Analysis

Background

- 2.1 Derbyshire Constabulary faces its biggest ever savings challenge. Over the next four years the Force faces a period of un-precedented funding reductions.
- 2.2 This savings challenge is not just about cutting costs and saving money. It is about making even better use of its remaining resources and still looking at ways to address and reduce more of the policing risks that it faces.
- 2.3 The next four years will be critical ones for Derbyshire Constabulary as it manages a period of prolonged grant reductions, while still aiming to deliver an even better policing service to the public of Derbyshire.
- 2.4 The Grant Announcement in December 2011 indicated that the Force's grant will reduce by 5.1% and 6.7% in the next two financial years, with further reductions indicated for the following two years. Over the next four years the Force face the need to cut its spending by some £20m to £24m.
- 2.5 It is now over 18 months since Derbyshire Constabulary began to prepare for the savings challenge that it now faces. Phase 1 of the Moving Forward programme is on course to deliver full year savings of some £6.5m by the end of this financial year. Without these savings the Force would have faced an even more challenging target for the next four years.
- 2.6 Given the uncertainty around grant levels in 2013/14 and beyond, the budget will focus on closing the budget gap that it faces over the next two years. At the Joint Planning Seminar in December, the Derbyshire Constabulary and Authority considered a wide range of proposals to

close the budget gap over these two years, which will form the basis of the budget proposals to be considered by the Authority in February 2011.

Financial Outlook

- 2.7 In October the Comprehensive Spending Review outlined the Government's plans to "rebalance" the national economy. These plans involved on average a 19% cut in public spending over the next four years.
- 2.8 On 13 December the Government set out in detail the grant level for Local Authorities and Police Authorities. This signalled an across the board grant reduction of 5.1% and 6.7% for Police Authorities over the next two years.
- 2.9 As part of the settlement the Government chose to convert a number of specific grants into the general grant, which removes the requirement to spend grant on specific purposes. This included the BCU grant, Crime Fighting Fund and Rule 2 Grants, which funded specific spending on local policing as well as Special Priority Payments, Forensics costs and probationer training.
- 2.10 The Government has already started a number of initiatives aimed at reducing police costs including:-
- Winsor Review – looking at police officer and staff terms and conditions
 - Hutton Review – looking at public sector pension contributions with a view to reducing employer pension costs
 - Pay Freeze for all police officer and staff over the next two years.
- 2.11 Apart from the pay freeze, there is still considerable uncertainty about the impact these initiatives will have on policing costs.
- 2.12 Moreover, the greatest uncertainty of all surrounds the exact scale of budget reductions in the following two years 2013/14 and 2014/15. This will depend on the impact on the national economy of the first round of public spending cuts.

Risk & Threat

- 2.13 When resources are more limited it is even more important that they are directed towards areas of greatest risk.

- 2.14 The Authority has an excellent track record of redirecting resources towards its highest areas of risk and this will continue over the next four years.
- 2.15 The table below summarises the outcome of the Strategic Risk Assessment undertaken by Derbyshire Constabulary and Community Safety stakeholders across Derbyshire.

Operational Risks	Organisational Risks
<ol style="list-style-type: none"> 1. Safeguarding Children 2. Level 2 Organised Crime Groups 3. Alcohol Related Crime 4. Drugs 5. Domestic Violence 6. Rape & Serious Sexual Assault 7. Serious Acquisitive Crime and Offender Management 8. Safeguarding Adults 9. Anti-Social Behaviour 10. Killed & Seriously Injured Road Collisions 11. Terrorism (international and domestic) 	<ol style="list-style-type: none"> 1. Finance 2. Managing our People 3. Managing our Information 4. Safer Detention of Prisoners 5. Protecting our Organisational Integrity 6. Managing our Infrastructure 7. Business Continuity

- 2.16 There is a clear link between these risks and Local Priorities identified through the 'Have Your Say' public consultation events during 2010.

<ol style="list-style-type: none"> 1. Drug Dealing / Supplying. 2. Protecting vulnerable people. 3. Groups of nuisance youths 4. Knife or gun crime 5. People being drunk / rowdy in public 6. Alcohol related violence 7. Burglary 8. Disrupting organised crime groups 9. Speeding 10. Drug taking
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Council Tax Freeze

- 2.17 The Government has indicated that it will compensate authorities who do not increase their precept.
- 2.18 The compensation will be equivalent to a precept increase of 2.5% and will be paid for each of the next four years. Derbyshire Police Authority would receive some £1.3m if it did not increase its precept.

- 2.19 The Government recently consulted on proposals to require Authorities to hold a local referendum if they increase their precept above the Government's guideline increase.
- 2.20 The cost of a referendum could be in the region of £1m and would be incurred regardless of whether the public voted for or against the proposed increase.

Grant Settlement 2011/12

- 2.21 Derbyshire Constabulary faces grant reductions of £6.2m (5.1%) and £7.8m (6.7%) in 2011/12 and 2012/13.
- 2.22 The Government has also chosen to make some changes to the funding formula that have an impact on the underlying level of grant that each Police Authority should receive. Derbyshire Police has previously argued that there is no point changing the formula when successive governments have still failed to fully implement previous formula changes as a result of the damping mechanism.
- 2.23 The Government has not made any move to phase out the current damping arrangements. Instead all police authorities will have their grant reduced by 5.1%, regardless of whether they currently lose out on grant due to the current damping arrangements.
- 2.24 This means that Derbyshire Police now loses out on some £1.9m of grant, while some other authorities still receive many millions of pounds of grant protection. It is also worth remembering that Derbyshire Police continues to lose out on funding for Neighbourhood Policing of at least £1m due to the previous Government's failure to fund the third tranche of Neighbourhood Policing Grant.
- 2.25 Effectively, this means that the Derbyshire Police Authority's underlying grant has reduced by more than other authorities due to:
- The movement of specific grants into general grant and the fact that Derbyshire receive a lower proportion of these grants when distributed under the formula
 - Other formula changes.

Moving Forward Programme

- 2.26 The Derbyshire Constabulary began to prepare for this financial challenge as early as Summer 2009.
- 2.27 The Moving Forward Programme has now been in place for over 12 months and is on course to deliver ongoing savings of some £6.5m by

2011/12. In addition, the Programme has also delivered considerable non-cashable efficiency savings, through changes to shift patterns.

2.28 Effectively this means that the Authority is ahead of the game and has been able to:-

- cover the costs of change from the savings that it has made in year
- build reserves to pay for future investment to improve service and deliver future savings.

Meeting the Financial Challenge – Staying Ahead of the Game

2.29 The Resources Committee on 17 December 2010 agreed a revised budget strategy aimed at ensuring that the Authority remains ahead of the game in dealing with its financial challenge. A key aspect of this strategy is to develop clear plans to close the £13m budget gap for the next two years 2011/12 and 2012/13.

2.30 The Joint Planning Seminar held in December considered a wide range of proposals that will form the basis for this plan. These are currently subject to consultation with staff associations.

2.31 Policing is a very people intensive business and over 80% of the Force spending is on police officers and police staff. This means that it is impossible to develop a plan that does not involve reducing both police staff and police officer numbers.

2.32 As a result, the proposals include a recruitment freeze for all police officers and PCSOs for the next two years. This is expected to close nearly half (£5.7m) of the budget gap over the next two years.

2.33 The Force predicts this will reduce police officer numbers by some 123 officers from the current budgeted establishment of 1995 to 1872 by 31 March 2012. It will also reduce PCSO numbers by some 23 PCSOs from 183 PCSOs to 160 PCSOs.

2.34 It is also proposed to cease making Special Priority Payments now that the specific grant that funds these payments has been withdrawn. This may also be covered by the current Winsor review of Police Officer/Staff terms and conditions.

2.35 Part of this saving will be offset by the cost of making call out payments to officers who are formally on call. This has been agreed by the Police Negotiating Board (PNB) although it is still to agree the level of payment.

- 2.36 Taken together, the removal of Special Priority Payments is still expected to save some £1m, net of the cost of any call out costs stemming from changes to police officer terms and conditions.
- 2.37 The remaining savings proposals have been put forward by Divisions and Departments as a result of an exercise asking managers to make savings options equivalent to 8% and 15% of their budgets. In total these are expected to save some £6.1m
- 2.38 These proposals centre around:-
- Reducing internal and external Forensic Science Costs
 - Further streamlining within the Criminal Justice Process
 - Reduction in funding for Partnerships
 - Ceasing in-force canteen provision
 - Police Officer Overtime Reductions
 - Reductions in Hire Vehicles
 - Reductions in Travel Costs
- 2.39 Further work will be undertaken to identify other savings around -
- Centralising a range of back office administrative services carried out across the organisation
 - Reducing Enquiry Office Opening Hours
 - Reducing the number of police buildings including safer neighbourhood offices.
- 2.40 Overall the proposals equate to a reduction of 112 police staff posts.

Implementing the Proposals

- 2.41 It is intended that, subject to consultation, all of the above projects will be taken forward during 2011/12, although many will not deliver any saving until later in the financial year.
- 2.42 The Authority will also incur considerable costs of change in 2011/12 and the savings generated during this year will first be needed to pay for the costs of change. This is one of the key benefits of implementing the change early.
- 2.43 The table below analyses the proposals in terms of the risk of deliverability.

	Number of Projects	Value of Projects (£'m)
Low	77	3.364
Medium	37	2.625
High	1	0.138
Total	115	6.127

- 2.44 The above table provides a reasonable level of assurance that most of the proposals should start to be delivered during 2011/12. Nevertheless, in most cases, full year savings will not be made until the following year 2012/13.
- 2.45 There will also be considerable costs in making the changes in 2011/12 around redundancy and retirement costs, which will need to be met from in-year savings or alternatively will be paid for from reserves.
- 2.46 The table below summarises how these savings proposals may close the overall budget gap for the next two years.

	2011/12 £'m	2012/13 £'m
Savings Target	4.077	11.865
Provision for costs of change	2.000	
Savings Target	6.077	11.865
Recruitment Freeze	3.168	5.695
SPP	1.000	1.000
Estimated Savings	2.000	6.100
Total Savings	6.168	12.795

- 2.47 Further work will be undertaken prior to the budget setting meeting and once the results of the consultation process are known. This will provide a better indicator of the level of savings that can be delivered in both years.
- 2.48 Reserves will play an important role in managing these financial risks in the short term if savings do not occur as quickly as anticipated or indeed the costs of change are greater than expected.

Looking Beyond 2012/13

- 2.49 The current plans are focussed heavily on dealing with the immediate financial problems for the next two years 2011/12 and 2012/13.
- 2.50 There is good reason for doing this given:-
- The uncertainty around the national economic climate and the potential level of further savings beyond 2012/13 if the current Austerity Plans do not succeed
 - The need to deliver immediate savings to close an immediate budget gap that the Authority faces over the next two years.

- 2.51 This does not mean that the Authority and Constabulary are not looking further ahead and considering what steps they need to take in 2013/14 and beyond.
- 2.52 The current plans effectively set out how best the Authority and Constabulary can manage to reduce its budget and still deliver a quality policing service to the public of Derbyshire.
- 2.53 It is clear that to make savings beyond this level and still maintain service quality will rely on effective collaboration with other forces within the East Midlands Region.
- 2.54 Considerable work has already taken place to look at the first tranche of collaboration and Derbyshire is fully engaged with these projects, which will both:-
- Help Derbyshire manage the reduction in police officer numbers over the next two years e.g. through a regional approach to major crime investigation
 - Start to deliver considerable cash savings and reductions in police staff posts e.g. through a regional approach to scientific support.
- 2.55 At this stage, no collaboration savings have been built into the Force's budget for 2011/12. This is because any savings are likely to be offset by the initial costs of establishing new regional collaborative arrangements. This position will be reviewed during 2011/12 and prior to setting the budget for 2012/13.
- 2.56 Collaboration will involve more fundamental and transformational change to the way Derbyshire Police operates. In the new financial climate, this is the only way to both deliver the financial savings that the Force needs to make and protect and improve the service it provides.

Managing Risk

- 2.57 Making savings of this magnitude cannot be without risk to the quality of the policing service that the Force provides.
- 2.58 The Force already has a sound track record in understanding, identifying and managing policing risk. In the last year alone it has delivered considerable savings but has still continued to reduce crime across the county as well as improving detection rates.
- 2.59 The Force is taking a number of measures to manage the risks that it faces which include:-
- (a) A detailed analysis of police officer posts at Divisional and Departmental level. Some 178 police officer posts have been

identified as lower risk posts that do not need to be filled during the recruitment freeze.

- (b) The Force is introducing a new shift pattern for Safer Neighbourhood and Investigative Officers from January 2011. This is aimed at matching officer availability more closely to public demand and improving visibility.
- (c) The Force is undertaking a project to look at how it manages demand. It already provides one of the promptest responses nationally to emergency calls but the review is looking at how other lower priority calls are managed and the potential to deal with more calls by appointment.
- (d) In addition to the above the Constabulary has continued to review the policing risks that it faces and the investment needed to reduce those risks. As a consequence it will continue to look at the potential to move police officers into higher areas of risk. Last year some 30 officers were redirected to higher areas of risk and it is aiming to at least match this target in 2011/12.

- 2.60 Even in these tough times the Authority recognises the need to invest in future service improvement and to produce savings in the future. It has already decided to maintain a reserve of £1m to take forward these projects. The Budget Proposals will include proposals to invest in these areas.
- 2.61 The Force is committed to dealing with staff reductions in a sensible and responsible manner. The Force will do all it can to enable staff who want to remain with the organisation to do so. This includes offering a scheme for Voluntary Redundancy and Retirement that may create opportunities for other displaced staff.

Consultation

- 2.62 Making change of this magnitude will undoubtedly have an impact on everyone who lives in the county.
- 2.63 The Authority and Constabulary are trying to do all that they can to minimise the impact on the service they receive and look for ways to still improve that service where they can.
- 2.64 Nevertheless this will still mean changes to the way services are delivered. In some cases the Authority may be asking the public to accept reductions in certain areas such as closing police stations and altering opening times to enable the Force to better use those resources to bolster other aspects of the service provided.
- 2.65 The Authority is committed to consulting with the public on the changes that it will be making. It has already undertaken an extensive have your

say consultation exercise which links closely to the identification of the key policing risks that it face.

- 2.66 During January the Chief Constable and Chair of Derbyshire Police Authority will be holding four consultative meeting to seek the views of the public on the Force's approach to the financial challenges that it faces and the Force's plans to maintain a quality policing service for the public of Derbyshire.
- 2.67 Both the Authority and Constabulary are committed to ensure that the public of Derbyshire are well informed about the changes that the Force are making and have an opportunity to give their views on these changes.

Summary and Conclusion

- 2.68 The Authority and Constabulary have both taken a measured approach to this significant challenge.
- 2.69 Derbyshire Constabulary has prepared early and well for the challenge that the Force faces and has put the Force in a strong position now that the scale of that challenge is known, at least for the next two years.
- 2.70 The Chief Constable is absolutely certain that the Force and Authority needs to maintain this momentum to continue to stay ahead of the game.
- 2.71 The proposals developed with senior officers and managers provide a realistic and sound plan for closing the savings gap over the next two years.
- 2.72 This will not be without risk or impact on local people or indeed many of officers and staff. While the Force will do all that it can to minimise the impact, some of its staff face the risk of redundancy. Other officers and staff face the prospect of being asked to deliver more with less at a time when they are already stretched and work in an organisation with one of the lowest staff to population ratios.

OFFICER RECOMMENDATIONS

1. That members note the budget plans that the Chief Constable is developing to bring to the Authority in February 2010.
2. That Members indicate to the Chief Constable if there are any additional options that they wish to be evaluated in advance of the budget meeting on 24 February 2011.