



Nottinghamshire

POLICE & CRIME COMMISSIONER

DRAFT
Budget 2016-17

January 2016

INTRODUCTION

Since setting his first budget for 2013-14, which was itself challenging, the pressure on the Commissioner's budget has increased substantially. Over the last four years efficiency savings of £42.6m have been needed to deliver annual balanced budgets.

In 2012-13 and 2013-14 achieving efficiencies was comparatively easy and underspends in other areas also developed. But 2014-15 saw the start of it becoming increasingly difficult to achieve the required savings programme and an additional £2m was used from reserves (total over £4m) to balance the budget by the end of the year.

2015-16 has proved to be the toughest year to date. Efficiency programmes have not been delivered in full and in addition to this errors in the budget were identified during the year. This has resulted in an estimated £9.3m being required from reserves to balance the budget. This does not include any costs associated with the Voluntary Redundancy Scheme where payments may be required by the end of the year for which there is no budget provision or saving to offset.

2016-17 was always going to be a challenging year, not only were we expecting grant cuts against a picture of increasing usual costs (e.g. pay awards and price inflation), we were also planning for an estimated £3.5m cost pressure from the change in National Insurance contributions.

The Government Provisional Grant settlement was announced in December and this was much better than we had been planning for. The Final Settlement report will be lodged with Parliament on the 3rd February with debate in the House on the 10th. It will be the one of first occasions where English Votes for English Laws (EVEL) is applied.

In creating the budget for 2016-17 additional cost pressures of £11m have been identified and an efficiency plan of £12m has been developed. This is less than originally anticipated due to the better settlement and in part due to the increase in the council tax base which delivered £1m more than estimated.

Despite this much has been achieved and continues to be delivered:

- 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.
- 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 Strategic Alliance with Leicestershire and Northamptonshire.

- Previous success at bidding for additional Innovation funding has resulted in 3 key projects being bid for 2016. These include the Strategic Alliance, E-Cins link to NICHE and Public Private Partnership Intelligence Collaboration (3PIC).
- Performance continues to improve and is on target for a small reduction by the end of 2015-16 compared with 2014-15.
- 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.
- For the 2015-6 year the PCC had previously awarded contracts to Victim Support and Remedi to provide cope and recover support and restorative justice for victims. In addition, he awarded grants to Age UK and Integritas to support specific groups of vulnerable victims.
- For the 2015-6 year the PCC had previously awarded contracts to Victim Support and Remedi to provide cope and recover support and restorative justice for victims. In addition, he awarded grants to Age UK and Integritas to support specific groups of vulnerable victims.
- During 2015-6 the PCC co-commissioned new domestic abuse support services with Nottinghamshire County Council, awarding contracts to Nottinghamshire Women's Aid and WAIS. The new contracts began on 1 October 2016 and will run for three years.
- He also co-commissioned new domestic and sexual abuse support services in the city with Nottingham City Council and Nottingham Clinical Commissioning Group. Contracts have been awarded to WAIS, Equation and Nottingham Rape Crisis.
- The PCC is working closely with the clinical commissioning groups in the county and Nottinghamshire County Council with the aim of co-commissioning new sexual abuse support services in the county during 2016.
- A focus on early intervention and crime prevention is designed to see demand for services reduced.
- Rural crime continues to be a priority for the Commissioner and during the year a proactive Rural Crime Team of Special Constables was established and trained in specialist knowledge on how to tackle wildlife and rural crime issues. The Community Road Safety Programme has been extended to rural areas to tackle speeding problems and Automatic Number Plate Recognition (ANPR) cameras installed in Ashfield and imminently in Bassetlaw. The Commissioner has also developed a dedicated rural crime web site to help people who live in rural crime areas. Operations Traverse and Nabrasca 3 are dedicated operations to tackling rural crime issues. Furthermore, the Commissioner has introduced rural crime performance measures and police response times so that he can be assured that residents living in rural communities are not disproportionately affected by any changes to police operating response models

- 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. Fewer people suffering mental impairment are detained in custody suites - down 80% compared to 2014/15.
- Almost three quarters (74%) 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.

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 £12m 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 2016-17**

The Commissioner welcomed the new Comprehensive Spending Review and following Provisional Settlement announcement. The protection being given to policing by the Chancellor in the Settlement meant that the anticipated cuts in funding of 25-40% have not emerged.

However, there is still much to do. A standstill in funding means that savings are required to meet day to day increases in prices and pay. On top of this Nottinghamshire has to tackle the continuing impact of the 2015-16 budget shortfall.

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 2016-17	2016-17 £m
Core Grants and Funding	
Police & Crime Grant	(126.1)
Council Tax Legacy Grant	(9.7)
Sub-total Core Grants	(135.8)
Precept	(54.4)
Collection Fund (surplus)/deficit	()
Total Funding available	(190.2)

Final confirmation of grant settlement will be laid before Parliament in February.

The Referendum Limit was announced at the same time as the provisional settlement and is set at 2% for 2016-17.

No estimate for the use of reserves has been planned for 2016-17 as the levels of reserves held are becoming a risk to the financial viability of the organisation.

Collection fund surplus/deficits have yet to be declared by Billing Authorities and the tax base used to calculate the precept amount is based upon December estimates which may vary.

The precept figure above assumes that the Police & Crime Panel support the Commissioners decision to increase precept by 1.99%. The Home Office has assumed that there will be a 0.5% increase in the tax base and a 2% increase in the precept in calculating the grant amount.

The Home Office has indicated that further detail on the split between main grant for policing and top slicing will be made available for future years. This will assist greatly in planning further ahead. The Commissioner has led on making representations for multi-year settlements.

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 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 2016-17	2016-17 £m
Previous Expenditure	191.2
In year increases	11.0
Sub-total Expenditure	202.2
Efficiencies	(12.0)
Use of Reserves	0
Total Net Expenditure	190.2

National Insurance changes account for £3.5m and inflation increases account for £2m 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 three 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 2016-17. The proposed revenue budget is £190.2m.

Net Expenditure Budget	2016-17 £m	Note
Employee	156.8	2.1
Premises	6.0	2.2
Transport	6.5	2.3
Supplies & Services	14.9	2.4
Agency & Contract Services	13.1	2.5
Pensions	4.0	2.6
Capital Financing	5.7	2.7
Income	(4.8)	2.9
Efficiencies	(12.0)	3.2
Net Use of Reserves	0.0	2.8
Total Net Expenditure	190.2	Annex 1

2.1 **Employee Related Expenditure**

2014-15 saw the first year of a full recruitment freeze across police staff, PCSO's and Police Staff. This Freeze will continue into 2016-17. This means that the implementation of the change programme "Delivering the Future" becomes key to the way in which we will work and the way in which we will deliver the service.

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 2016-17. Annex 3 details the budgeted police officer, police staff and PCSO numbers for 2016-17.

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 2016-17 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. This continues to be monitored and efficiencies delivered.

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 2016-17.

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	2016-17 £m
Agency Costs	0.4
Collaboration Contributions	8.6
Community Safety Grant	3.4
Other partnership costs	0.6
TOTAL	13.0

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 £8.6m for 2016-17. No savings have been assumed within this budget for collaboration or Innovation Projects.

The most significant area of transformation is the Strategic Alliance. This started initially as a transformation for business services with Northamptonshire and has expanded to include all parts of the service not currently within a collaboration arrangement and now includes Leicestershire.

The final business case for this major transformation is due in March and therefore any required changes to either the revenue or capital budget as a result of this will be reported within the first quarter of 2016-17.

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 impact of the change to employers' national insurance contribution rates for the state pension changes, have been included at £3.5m.

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

For 2016-17 there has been a cost pressure for the increase following the Actuarials report this totalled £463k and is incorporated within the figures given above.

2.7 Capital Financing Costs

This relates directly to the value of the capital expenditure in previous years. The proposed capital programme for 2016-17 has been limited and the 2015-16 programme reduced in year. Priority has been 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 2016-17.

In 2015-16 we undertook a review of the methodology for calculating MRP charges and this resulted in a significant saving in years and into 2016-17. This is included within the efficiencies.

2.8 Use of Reserves

This has been used to finance transformational change and the cost of redundancy in the past few years. Now reserves themselves are becoming a scarce resource and these costs need to be met from the efficiency programmes themselves.

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 and other large events that the public pay to attend) and from investment of bank balances short term.

3. Efficiencies

During the last CSR period the force needed to deliver £42.6m in efficiencies. It is estimated that by the end of this financial year £32.7m will have been achieved. As reserves are now significantly low for an organisation of our size it is essential that efficiency targets are achieved particularly in 2016-17.

3.1 2015-16 Efficiencies

As part of the 2015-16 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 £7.7m 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 2015-16:

Efficiencies 2015-16	Original £m	Forecast £m
Collaboration	1.8	1.0
Procurement	0.8	0.0
Estates & Fleet	1.2	0.2
Corporate Services	2.7	2.9
Operational Efficiencies	3.3	3.2
Income Generation	0.4	0.0
Commissioners Office	0.1	0.0
Other	0.7	0.2
TOTAL	11.0	7.5

The savings for the Commissioner's Office were offset in year by the transfer of budget from the Force for MARAC, the SARC and Prevent.

The total amount of efficiencies not being achieved is £3.5m. In addition to this additional cost pressures totalling £4.2m were identified during the year.

3.2 2016-17 Efficiencies

In order to balance the budget for 2016-17 savings and efficiencies of £12.0m need to be delivered.

The efficiencies identified to deliver a balanced budget in 2016-17 are summarised in the table below:

Efficiencies 2015-16	£m
MRP	1.0
Reduction of officers and staff	5.0
Non Pay savings	1.7
Overtime reduction	0.3
Reduction of Acting Up	0.5
VR, DTF and shift review	3.5
Total	12.0

- 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 require the force to provide alternative in year savings plans.
- 3.5** The work on the Strategic Alliance has yet to be factored into these budget figures. However, it is anticipated from the initial business case that significant savings can be delivered, with a payback period of 3.8years.

4. External Funding

There is an assessment of the financial risk in respect of external funding currently provided. In 2016/17 30 officers and 63 staff are funded externally and are not added within the expenditure and workforce plans. This could be an additional pressure in 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.

In addition to these we have 44 Police Officers seconded out of the organisation in 2016-17. This compares with 47 seconded officers in 2015-16.

2016-17 Commissioner's Total Budget (£m)

	Total Budget 2016- 17
Payroll	
Police Pay & Allowances	102.0
Police Overtime	3.3
Police Staff Pay & Allowances	49.9
Police Staff - Overtime	0.6
Other Employee Expenses	1.0
	156.8
Other Operating Expenses	
Premises Running Expenses	6.0
Transport	6.5
Equipment, Furniture & Materials Expenses	0.5
Clothing, Uniform & Laundry	0.5
Printing & Stationery	
Comms & Computing	7.8
Miscellaneous Expenses	4.2
Supplies & Services	5.3
Agency & Contract Services	9.7
Pensions	4.0
Capital Financing	5.7
	50.2
Total Expenditure	207.0
Income	
Special Services	(0.3)
Fees, Reports & Charges	(0.3)
Other Income	(4.1)
Other Operating Income	(0.1)
	(4.8)
Efficiencies	(12.0)
Net Use of Reserves	
Total	190.2

Workforce Movements Budget 2015-16 v Budget 2016-17

	2015-16 Budgeted Total FTE's	2016-17 Budgeted Total FTE's	Movements FTE's
Police Officers			
Local Policing	1,306	1,269	(37)
Specialist Services	493	454	(39)
Corporate Services	42	39	(3)
Region	81	128	47
	1,922	1,841	(81)
Police Staff			
PCSO	253	228	(25)
Other Police Staff	1,221	1,312	91
	1,474	1,540	66
TOTAL	3,396	3,381	(15)

The above table implies a recruitment position for Police Staff however, this is not the case.

When the 2015-16 budget was prepared the Force was planning an alliance with Northamptonshire Police for all business service functions. This assumed 47 members of staff would retire or take redundancy. The PBS project was put on hold when the decision to consider a Strategic Alliance with Leicestershire and Northamptonshire started to be developed.

A decision was also taken to commence earlier than planned the recruitment of PIO's prior to the recruitment freeze. These were not included in the budget workforce at the time of the budget report in 2015 and were financed by the reduction in Police Officers.

Workforce Plan FTE's

	2016-17				
	Local Policing FTE's	Specialist Services FTE's	Corporate Services FTE's	Region FTE's	Total FTE's
Police Officers					
Opening balance	1,306	493	42	81	1,922
Restructure					
Retirement /					
Leavers	(37)	(39)	(3)	(2)	(81)
Recruitment					
	1,269	454	39	79	1,841
Police Staff					
Opening balance	380	465	349	27	1,221
Restructure	21	23	47		91
Recruitment					
	401	488	396	27	1,312
PCSOs					
Opening balance	253				253
Recruitment/					
Leavers	(25)				(25)
	228				228
Opening Balance	1,939	958	391	108	3,396
Movement	(41)	(16)	44	(2)	(15)
Closing Balance	1,898	942	435	106	3,381