

## **Cumbria Police Authority**

**17 February 2010  
Agenda Item No 7**

### **Efficiency and Value for Money Strategy**

#### **A report by the Chief Constable and Treasurer**

#### **1 Summary**

- 1.1 Providing value for money for the taxpayer and ensuring that the police service is run efficiently are a priority for the Authority and Constabulary. These goals have become more important as the pressure on the Authority and Constabulary's finances has increased over the past year.
- 1.2 The Home Office has also recognised that with resources likely to be scarce in the future improvements in efficiency will be crucial in releasing capacity for forces to undertake new developments and sustaining current performance. Over the last decade the Home Office has set forces' efficiency targets, the latest iteration of which is contained in the National Police Efficiency and Productivity Strategy 2008-11. Whilst the current efficiency targets set down in the Home Office strategy remain in place from 2009-10 responsibility for setting local efficiency targets has been transferred to Police Authorities.
- 1.3 Against this background this report: -
  - Provides an update on achievement of efficiencies in 2009-10 against the Home Office 2008-11 efficiency target and outlines proposals for the efficiency target for 2010-11, which is the final year of the Home Office Efficiency and Productivity Strategy.
  - Proposes that the Authority set a three year efficiency target from 2011-12 which is consistent with the level of savings required to balance the budget over this period based on current projections.
  - outlines the way in which the Authority proposes to hold the Constabulary to account for delivery of efficiencies.
  - Outlines the new requirement that a Value for Money Statement is incorporated into the Policing Plan and includes the statement for 2010-11 as an appendix.

## 2 Recommendations

- 2.1 Members are asked to
- i) Note their role in setting efficiency targets and in monitoring efficiencies made and value for money;
  - ii) Re-affirm the proposed efficiency target for 2010-11.
  - iii) agree an indicative three year efficiency target covering the period 2011-12 to 2013-14, which may need to be re-considered in the context of future budget settlements.
  - iv) Agree proposed scrutiny arrangements for delivery of efficiencies in 2010-11.
  - v) Note the new requirement to produce a Value for Money Statement which will be incorporated into the Policing Plan.

## 3 Detail

### Home Office / Police Authority Efficiency and Productivity Regime to 2010-11.

- 3.1 Although the Home Office passed responsibility for the setting of efficiency targets to Police Authorities during 2008-09 this formed the second year of the Home Office's National Efficiency and Productivity Strategy, which runs from 2008-2011. The Authority's response was to set targets that were broadly in line with the national requirement to deliver 9.3% efficiency savings over the three year period to 2010-11 (which was subsequently amended to a more stretching 10.3% following Home Office guidance). For this reason, allied to the fact the financial pressures facing the Constabulary from 2011-12 are now significantly more challenging and will necessitate more rigorous efficiency targets and delivery, it is useful to consider the efficiency planning process to 2010-11 in the context of the National Strategy before considering a fresh approach to efficiency targets for 2011-12 and beyond.
- 3.2 The table below summarises the Constabulary's position in relation to achievement of the national and Police Authority efficiency targets for 2008-11 :-

	2008-09 £m	2009-10 £m	2010-11 £m
Brought forward	3.7	3.4	4.4
Target	4.2	3.7	3.7
Achieved / Planned	3.9	4.7	3.1
Carried Forward Surplus	3.4	4.4	3.8

#### Note

Targets for 2009-10 and 2010-11 were increased from £3.2m to £3.7m to reflect the Home Office's more stretching target (1% added).

The £3.7m brought forward into 2008-09 was the cumulative surplus from the previous efficiency regime, which was endorsed by the Home Office as part of the monitoring of that regime.

- 3.3 In relation to progress against the 2009-2010 efficiency plan, the Policing Plan and Performance Committee received a mid year report in November, which showed that whilst £0.5m of the original planned efficiencies of £5.2m were at risk of not being delivered the Constabulary was still on course to deliver £4.7m of efficiencies, which is £1.0m higher than the Authority's target for the year. An update on progress as at the end of the third quarter has now been collated, which shows a similar projection of efficiencies to that previously reported and is shown in the table below :-

	Total Planned (£000's)	Completed (£000's)	On-target (£000's)	At Risk (£000's)
Budget & Productivity Efficiencies	5,209	1,855	2,795	559

More detail on the breakdown of efficiencies will be reported to the Policing Plan and Performance Committee on 22 February 2010.

- 3.4 In developing the 2009-10 efficiency plan the Constabulary adopted a twin approach of: -

- Delegated efficiency targets for each BCU and Department.
- Corporate Initiatives under the Chief Constable's 'Sustainability and Excellence Programme', which are outlined in greater detail in a report elsewhere in this agenda.

The delegated efficiency approach was successful in identifying efficiencies totalling just over £1.9m from which budget savings of £0.4m will be generated. In addition, other initiatives outlined in the revenue budget paper elsewhere on this agenda will release £1.135m of budget savings which have been incorporated into the efficiency plan. For members' information these savings are detailed below:-

- Energy cost savings as a result of a new electricity contract £162k
- Rationalisation of communications centre and help desk staffing £240k
- Reduction in revenue support for the capital programme £300k
- Direct crime recording £200k
- Workforce modernisation £233k

3.5 The timescale for delivering efficiencies arising from the BCU reviews under the Sustainability and Excellence programme are not sufficiently developed at this stage to be included within the 2010-11 efficiency plan and budget. As a result the total of planned efficiencies in 2010-11 will amount to £3.067m, which is £633k below the Authority's target. Nevertheless, the table in paragraph 3.2 shows that the Constabulary remains on track to meet the Home Office's three year efficiency target even if the surplus brought forward from 2007-08 is discounted.

#### **4 Efficiency Targets for 2011-12 and Beyond**

4.1 Both the Authority's efficiency target setting and the Constabulary's identification of efficiencies for delivery in 2011-12 and beyond need to be seen in the context of the overall financial position.

4.2 Over the last eighteen months members have been comprehensively briefed on the deteriorating financial outlook for the Authority and Constabulary arising as a result of the global financial crisis, through the budget and medium term financial planning processes. Although there is a uncertainty of the level of funding beyond 2010-1,1 not least because of the impending general election, the Home Office have recognised the likelihood of a squeeze in resources for the Police Service by making improving efficiency a major theme in the recent white paper entitled 'Protecting the Public: Supporting the Police to Succeed' which was published in December 2009. The White Paper states that the police service as a whole will need to deliver cash savings of £545m per annum by 2014 of which £100m will have to be found in 2010-11. The White Paper identifies specific ways in which the Home Office expects savings to be delivered by the service as detailed below :-

- i) reduction in police overtime £70m
- ii) improving back office functions £75m
- iii) procurement (including standard vehicles, body armour, uniform) £200m
- iv) Movement towards a single IT infrastructure £200m.

4.3 In addition, a report recently published by the High Level Working Group commissioned by the Policing Minister, which looked at value for money in the police service, highlighted the areas in which police forces will be expected to look for savings and increases in productivity. The main focus is on maintaining the service to the public through increased productivity in frontline services (delivering 'more for the same' cost) and by delivering savings in support services. The areas which the report advocated should be looked at are:

- Whether the Basic Command Unit structure is the best way of organising services;
- Improving business processes to maximise their efficiency;

- Ensuring shift patterns and deployment profiles meet demand;
- Reducing overtime costs;
- Reducing costs in the procurement of goods;
- Reviewing support services to get the 'optimum' number of staff for an activity, including looking at collaboration with other forces;
- Developing better working arrangements with criminal justice agencies and other public organisations.

4.4 The latest iteration of the Medium Term Financial Forecast contained within the revenue budget paper elsewhere on this agenda forecasts that, depending on the level of future council tax increases, the Authority and Constabulary will need to find savings of between £4.0m and £6.2m by 2013-14, around £5m of which will need to be delivered in 2011-12. The table below, taken from the revenue budget paper, shows the projected savings requirement for different assumptions of Council Tax increase.

<b>Council Tax increase</b>	<b>2011-12 £m</b>	<b>2012-13 £m</b>	<b>2013-14 £m</b>
1% cumulative	5.3	5.2	6.2
2% cumulative	5.0	4.5	5.1
2.5% cumulative	4.8	4.1	4.6
3% cumulative	4.6	3.8	4.0

Recurrent savings found in year 1 reduce or eliminate the need to find savings in years 2 and 3.

This scale of savings is broadly consistent with Cumbria's pro rata share of the national police service savings in the equivalent period, as indicated in the recent White Paper. Given the Chief Constable's stated aim that the Constabulary maintains its current level of performance the budget gap will need to be bridged through cash saving efficiencies.

- 4.5 Against this background it is proposed that the Police Authority set the Constabulary a three year efficiency target covering the period 2011-12 to 2013-14 of £9.0m, which will be split into £6.0m of budget savings and £3.0m of productivity savings. In order to balance the budget in the current worst case scenario for 2011-12 the target also stipulates that £5.3m of cash savings must be delivered in 2011-12.
- 4.6 The three year fixed target has the advantage of clarity when compared with a rolling three year target approach, where it can be difficult to understand which target is being reported against. A three year target also affords some flexibility, subject to budgetary constraints, in comparison with annual targets and recognises that the flow of efficiencies is not necessarily constant.

- 4.7 It is recognised that the split of budget and productivity savings, or indeed the overall target, may need to be revised particularly in the light of emerging certainty over the future financial challenges facing the Authority and Constabulary and that an annual review of the target be undertaken to take account of changes in the financial climate. This would best be reviewed and reported via the annual update to the medium Term Financial Forecast.

## **5 Scrutiny of Efficiency by the Police Authority**

- 5.1 Given that delivery of the required level of savings is crucial to the future sustainability of the police budget, members will need to put in place robust mechanisms to ensure that savings and improvements in productivity are found in future years.
- 5.2 As is currently the case it is proposed that monitoring of the delivery of planned 2010-11 efficiencies is undertaken by the Policing Plan and Performance Committee (PPPC) as part of its monitoring of the Policing Plan. It is proposed that the PPPC receive an update on delivery of 2010-11 efficiencies at the mid point of the financial year, at the end of the third quarter and a final outturn position.
- 5.3 In relation to 2011-12 efficiencies, PPPC would, in normal circumstances receive an update on progress in identifying efficiencies for the next financial year at the midway point in the year with a detailed articulation of efficiency proposals following when the draft policing plan is presented. Given the scale of savings needing to be identified for 2011-12 the Police Authority will require greater assurance on the timing and delivery of future efficiencies throughout 2010-11. A twin pronged approach to scrutiny is proposed, involving the Change Management Working Group and a new mechanism for monitoring finance, which will be considered by members at the Authority's March meeting.
- 5.4 The Sustainability and Excellence Reviews are integral to the delivery of such a significant proportion of the savings required that the Authority needs to be satisfied that this programme of activity can be delivered in time for those savings to be realised and at a cost which is affordable. This involves any changes to structures or staffing being made by early 2011 so that costs can be taken out of the budget for 2011-12. Hence, the Authority will monitor progress in delivering the changes through its Change Management Working Group and hold the Constabulary to account for delivery against the timescales set out for planning and delivery.
- 5.5 However, given the shortfall in savings currently being indicated from the Sustainability and Excellence Programme, in the context of those required to balance the 2011-12 budget, it is likely that alternative ways of finding

the savings will need to be found. The Authority will want to ensure that proposed changes, which are not already agreed, take account of community priorities, levels of risk and the cost of delivery and that they will ensure that the funding gap is bridged. The Authority will also want to ensure that appropriate consultation has been carried out within the Constabulary and within the community, particularly, where the delivery of frontline services is affected. It is therefore proposed scrutiny of delivery of the 2011-12 savings requirement is a key task within the initial terms of reference for a finance working group, the formation of which will be proposed to next meeting of the Authority.

## **6 Value for Money Statement**

- 6.1 The recent Home Office White Paper 'Protecting the Public: Supporting the Police to Succeed' also introduced the requirement for police authorities to agree a 'value for money statement' as part of their Policing Plan. This document replaces the current requirement to include an efficiency plan in the policing plan and is expected to set out 'how the force is doing more with its money', in terms of efficiency and productivity. Although the guidance is still draft, and may be subject to change, it is anticipated that it will be a requirement that the Value for Money Statement be included in the 2010-11 Policing Plan.
- 6.2 The proposed statement for 2010-11 is set out in appendix 1 and has been developed to take on-board comments made by the Policing Plan and Performance Committee at its meeting on 25th January. The statement is structured around the prescribed themes which authorities and forces are required to consider in their value for money statement. The statement shows that efficiencies are planned through a variety of work programmes, including process improvements and savings being identified by individual departments and corporate programmes, most particularly as part of the Sustainability and Excellence Reviews. (which are reported in more detail elsewhere on this agenda).
- 6.3 The Police Authority constantly strives for Value for Money in its own work. It allocates resources to priority areas, to allow it to carry out its statutory duties and best represent the public in policing. This commitment is reflected in the Value for Money statement.

## **7 Relevant Public Feedback**

- 7.1 The Authority has consulted members of the public about whether they feel that the amount they pay for policing is reasonable. 60.4% of respondents to the summer survey felt that the amount they pay is either reasonable or very reasonable, whilst 9.1% of respondents felt that it was either unreasonable or very unreasonable and 4.5% did not know. Other feedback received by the Authority, such as through its Community Liaison Forums, suggests that the public has the impression that value for

money is being provided but that there is concern about the ability of some people to afford sustained increases in council tax. Further details of this feedback are provided in the report on the revenue budget elsewhere on the agenda.

**Doug Thomas**  
**Treasurer**  
11 February 2010

**Craig Mackey**  
**Chief Constable**

**Attachments**

Appendix 1 Value for Money Statement

**Human Rights Implications**

None identified at present but the Authority will need to monitor this as any new proposals for efficiencies are developed.

**Race Equality/Diversity Implications**

As above.

**Risk Management Implications**

If the Authority does not set clear targets for savings and the Authority and Constabulary work together to ensure that they are delivered budget, cuts, which may have a detrimental impact on the quality of service delivery may have to be made to balance the budget which would potentially damage confidence in the Authority and Constabulary.

**Financial Implications**

As set out in the report

**Personnel Implications**

None Identified

**Contact Points for information**

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## **Value for Money Statement**

Achieving value for money means delivering the best services for the resources available.

Our ways of working need to be built around supporting frontline services and be proportionate to the level of risk. Those services also need to be fit to meet the policing needs of Cumbria into the future. We will continually look for ways to become more efficient and productive, as well as conducting a programme of reviews to make the savings necessary to sustain services with the reduced funding that we expect to have in the future.

### **Deployment of Officers and Staff**

We will implement changes to deployment profiles for police officers and police community support officers during 2010-11 to support the priorities of local engagement, problem solving and visibility and deliver the Policing Pledge more effectively, as well as reflecting risk and demand. Wherever possible police officers will be deployed to appropriate roles where police powers are required.

Specific initiatives include a programme of workforce modernisation, reviews of the structure of neighbourhood policing teams, CID, community safety and the staffing of the communications centre / front office counter. In addition a review of the force's shift pattern will take place.

### **Overtime Spending**

We will actively manage police officer and staff overtime and meet the targets we have set for this. Historically the Constabulary has consistently incurred lower overtime expenditure (as a percentage of the budget) compared with the average of a group of similar forces. Whilst every opportunity to manage overtime effectively in the future will be taken, this will be a consideration in all initiatives but no specific corporate programme of overtime reduction is currently planned.

### **Process Improvements and Reduced Bureaucracy**

We will continually seek to identify ways in which business processes across the Constabulary can be made more efficient, this will be supported by the setting of delegated efficiency targets for each department.

This is a common objective in a range of initiatives, but specific savings are planned from reviews of processes in BCUs including the work of criminal justice units, forensics protocols, crime recording, hi tech crime analysis and the implementation of video conferencing and electronic learning.

### **Adoption of National Frameworks on Procurement**

Where this is practical the Constabulary currently seeks, to procure goods and services efficiently through the use of national and regional contracts. In the future we will actively engage in proposed national frameworks for the of standard vehicles, uniform and equipment for the police service to deliver savings. Savings are currently expected to be delivered through joining an Office of Government Commerce electricity supply contract. Systems improvements will also be progressed to improve the visibility and control of expenditure.

### **National Convergence of Information Technology**

We will utilise new technology, to increase the efficiency of processes and achieve greater value for money in the long-term, even where this has an upfront cost. We will actively engage in the National Police Improvement Agency's ISIS programme which seeks deliver greater efficiency and facilitate improved collaboration between forces through the development of a single police IT infrastructure. We will introduce mobile working to enable frontline police officers and police community support officers to remain on the frontline, rather than return to the station.

### **Reduce the Proportion of Budget in Support Services**

Changes to services supporting the frontline will be implemented by March 2011, which will seek to maintain performance at current levels and ensuring the proportion of the workforce carrying out support services is appropriate.

We will also investigate the potential for sharing services with other authorities in the county or police forces nationally to provide improved value for money.

Specific initiatives include re-structuring of the IT and project management departments, the merger of the strategic development and information management and the formation of a finance / human relations shared service centre.

### **Overheads**

We will look for ways in which overheads can be reduced. Savings are currently planned from IT replacement and moving towards a more streamlined management structure for police officers, with the aim of becoming 'best in class' compared with other forces. We will also seek to reduce sickness levels.

The Police Authority will hold us to account for providing value for money and delivering the efficiencies and savings we have committed to through setting challenging targets. It will also strive to provide value for money itself.

The table below shows planned efficiencies over the next three years analysed by the categories above :-

<b>How We'll Deliver Improved Value for Money</b>	<b>Value in 2010/2011 (£000's) Budget</b>	<b>Value in 2010/2011 (£000's) Productivity</b>	<b>Value in 2011/2012 (£000's)</b>	<b>Value in 2012/2013 (£000's)</b>
Improved Deployment of Officers and Staff	637	822	2,000	300
Reductions in Overtime Spending	10	0	0	0
Process Improvements and Reduced Bureaucracy	321	673	2,000	300
Adoption of National Frameworks for Procurement	162	0	200	100
National Convergence of Information Technology	0	0	0	0
Reduction in Proportion of Budget in Support Services	72	0	1,600	200
Reduction in Overheads	370	0	500	100
<b>Total</b>	<b>1,572</b>	<b>1,495</b>	<b>6,300</b>	<b>1,000</b>