

POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE POLICE AND CRIME PANEL

PAPER MARKED

Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER
Subject	MEDIUM TERM FINANCIAL STRATEGY UPDATE
Date	17 JULY 2015 – 12.30 P.M.
Author :	CHIEF FINANCE OFFICER

Purpose of Report

1. This report is to update the Panel on the Medium Term Financial Strategy (MTFS) including progress towards identifying the savings required for 2016/17 and approaches towards savings to 2019/20.

Recommendation

2. The Panel is recommended to note the report.

Background

3. At the time of the PCC's commencement in office, Leicestershire Police had already demonstrated a good record in achieving efficiency savings.
4. However, as highlighted to the Panel in January 2013, the financial challenge continued and at that time, the MTFS which underpinned delivery of the Police and Crime Plan showed a significant shortfall of over £20m. This is in addition to the savings of just over £6m which had already been identified and removed from the 2013/14 Base Budget for that year.
5. The Police and Crime Commissioner recognised this challenge within his Police and Crime Plan and included within it Strategic Priority 18 which stated:

“with our staff and partners, transform the way we protect our communities and deliver over £20m in (revenue) savings by 2016.”
6. Since January 2013, the MTFS has been revised regularly to take into account emerging issues and changes to the finance settlement.
7. At its meeting in January 2015, the Panel considered the proposed precept 2015/16 and Medium Term Financial Strategy (MTFS) report.

8. This report and the subsequent Change Programme update report in March 2015, highlighted the progress made against this strategic priority as follows:

	£m
Savings realised to date: (This reflected all savings identified and removed from the budget between the period 2013/14 to 2016/17.)	21.7
Savings identified but not yet realised (These relate to the Project Edison staffing levels which will not be fully achieved through staff attrition until August 2017).	2.1
Further savings required to be identified but not yet realised	4.0
Latest estimate of savings required 2013/14 to 2016/17	27.8

The Financial Challenge – Update on savings still required to 2016/17

9. As part of the precept for 2015/16, the PCC agreed with the Chief Constable, the need to identify, by the end of June 2015, a series of proposals (with timescales for achievement) which prioritise specific savings areas and would create a minimum of a further **£2.5million** in revenue savings. The areas he sought specific proposals from the force on are as follows:
1. **Further insight into Force structural reform:** a review of rank structures, supervisory levels and ratios and consideration whether any further changes to shift patterns may be required. Timescales for bringing in further structural changes for future phases of the force transformation programme are to be identified;
 2. **An honest review of Productivity across the Force:** is the organisation working to its full capacity? Is the Force equipped with the most up to date mobile technology to allow front line officers the best opportunities to be productive? Can more be achieved by looking at staff mix, absenteeism and abstractions and other people-focused areas of activity?;
 3. **Proposals for savings to middle and back office:** building on work undertaken prior to the PCC's arrival, constructive and achievable options for bringing down the cost of these functions by creative and innovative solutions;
 4. **More Demand Management benefits:** some of this work has commenced through the Edison programme. However, the PCC is keen to see that Predictive Demand Management becomes the norm;
 5. **Continued vigour with the Volunteers Strategy:** identifying even more innovative solutions in supporting the workforce with the Volunteers in Policing team looking for new and challenging proposals;

- 6. Identifying effective opportunities to work with partners:** the PCC, the force and partners have started this conversation in Leicester, Leicestershire and Rutland and there is a real opportunity to continue the momentum and at the same time release much-needed savings for the PCC, the force and partners in the process.
10. The Force updated the PCC on their progress in identifying the remaining £4m savings requirement for 2016/17, which includes the prioritised savings areas above. These plans are on schedule to be shared with the PCC at the Strategic Assurance Board with the Force on the 30/6/15 and to enable discussion and scrutiny of these proposals.
11. In addition, the Force continue to progress collaborative working with Regional and local colleagues to bring both operational and financial benefits. More recently, developments which have been progressed have included:
- East Midlands Operational Support Services (EMOpSS); and
 - Regional Criminal Justice arrangements which have included the implementation of a NICHE IT system across 4 Force areas and progressing the outsourcing of Custody Detention Officer arrangements together with another Force area.
12. Prior to implementation of these developments, Regional PCCs have reviewed proposals, received updates and undertaken joint scrutiny and challenge of these operational developments, including seeking additional expertise and advice where appropriate prior to progression.

The Financial Challenge – Savings Still Required

13. The proposed precept 2015/16 and Medium Term Financial Strategy (MTFS) also highlighted the financial challenges to 2019/20 and whilst plans to address the savings for 2016/17 are already in progress, the shortfall to 2019/20 remains significant as follows:

2016/17	2017/18	2018/19	2019/20
£6.1m	£9.7m	£13.5m	£16.9m

14. The Force has named the response to this financial challenge “Blueprint 20/20” and early work is underway to identify potential options to this response. This early work has and will include discussions with partners facing similar challenges both locally and regionally. This early work will continue and the Panel and Stakeholders will be updated as it progresses.

The Financial Challenge – Further Uncertainties

15. Following the General Election, the Chancellor announced further in-year savings across Government Departments. For the Home Office this is £30m, but the Police and Crime Commissioner’s Treasurers Society have advised that ministers have agreed not to re-open the police settlement. Therefore, it is not anticipated that the Home Office Grants to Leicestershire in 2015/16 will be adjusted. However, no confirmation has been received as to where the Home Office savings will be identified for these savings at this point in time.

16. The July 2015 Budget is awaited and any implications of this will be built into the Medium Term Financial Strategy and the Panel updated at a future meeting.
17. At part of the national programme, Her Majesty's Inspectorate of Constabulary (HMIC) has recently undertaken the Efficiency element of the PEEL assessment (Police Effectiveness, Efficiency and Legitimacy) inspection at Leicestershire Police with the Legitimacy and Effectiveness inspections to be undertaken later in the year.
18. The OPCC were interviewed by HMIC inspectors as part of the process and were also in attendance at the "hot debrief" with inspectors. The results of this inspection will be published later in the year.
19. Furthermore, the National Audit Office (NAO) have recently issued a report on Financial Stability in the Police which includes a number of recommendations and which will contribute towards the debate on the future resourcing of the service moving forwards. Of particular note is the recommendation to continue with a review of the funding formula

Next Steps

20. The Medium Term Financial Strategy will be updated following the Budget in July 2015 and work will continue by the PCC to review the Force savings plan for 2016/17 (as identified in paragraphs 9 and 10), and to monitor and scrutinise early work and options being explored to address the financial challenge to 2019/20.

Implications

- | | |
|-------------------------------------|---|
| Finance: | To update the Police and Crime Panel on the Medium Term Financial Strategy, uncertainties and timescales. |
| Legal: | There are no legal implications identified |
| Equality Impact Assessment: | Equality Impact Assessments will be required where proposals are identified |
| Risks and Impact: | Risks and uncertainties are identified in the report. |
| Links to the Police and Crime Plan: | The report provides an update on Strategic Priority 18 |

List of Attachments / Appendices

None

Background Papers

Police and Crime Panel 29 January 2015 - Proposed precept 2015/16 and Medium Term Financial strategy

Persons to Contact

Helen King, Chief Finance Officer (0116) 2298702
Email: helen.king@leics.pcc.pnn.gov.uk