

For Information / Consideration	
Public/Non Public	Public
Report to:	Audit & Scrutiny Panel
Date of Meeting:	12th December 2013
Report of:	Chief Finance Officer
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Agenda Item:	11

Base Budget Review

1. Purpose of the Report

- 1.1 To provide members with a copy of the final report executive summary for the review of the force revenue budget.

2. Recommendations

- 2.1 Members are requested to note the report and make comments or observations on the report.

3. Reasons for Recommendations

- 3.1 Good governance and financial management.

4. Summary of Key Points

- 4.1 The report executive summary attached at **Appendix A** is part of the final report produced by Deloitte: the consultants that have worked intensely for 7 weeks in reviewing the budget.
- 4.2 The report details the work undertaken and the findings relating to comments made by staff during the course of their interviews and subsequent detailed review of financial records.
- 4.3 The work included a review of projects already underway within the force and there was assurance that the Chief Officer Team had a full understanding of what was needed and what was being done to drive out further efficiencies.
- 4.4 This also included a review of the work being done in relation to the Target Operating Model (TOM).
- 4.5 The report identifies where further work could be done to align budgets to priorities and drive out further savings.

5. Financial Implications and Budget Provision

- 5.1 This contract was met from reserves at a cost of £128,000.

6. Human Resources Implications

6.1 None as a direct result of this report.

7. Equality Implications

7.1 None as a direct result of this report.

8. Risk Management

8.1 The risk for the Police & Crime Commissioner relates to being able to set a balanced budget over the next four years. Without the identification and transformation of the organisation there is a risk that expenditure will exceed finances available by several million.

8.2 The next risk is that budgets are not aligned to priorities resulting in priorities not being met and potential funding be used in non priority areas.

9. Policy Implications and links to the Police and Crime Plan Priorities

9.1 One of the outcomes from this review was to identify how budgets can be better aligned to Police & Crime Plan priorities.

10. Changes in Legislation or other Legal Considerations

10.1 None as a result of this report but there is an awareness that the Government may extend the role of the PCC further and this could also impact on the services provided.

10.2 The Commissioner is eager to prioritise budgets to preventative work and the force have identified through the TOM the need to cut demand in the first instance and this can only be achieved through preventative work.

11. Details of outcome of consultation

11.1 An independent panel was convened during this review. The panel met at the start of the review to consider the terms of appointment. It met again mid-review to hear and challenge the consultants on their initial findings. And it met to consider this final report. The final meeting provided a robust and challenging discussion.

12. Appendices

12.1 Appendix A – The Final Report: Base Budget Review – Executive Summary

Executive Summary

Executive Summary

Scope and introduction

- This report has been prepared for the Nottinghamshire Police and Crime Commissioner. Deloitte were engaged to undertake a project with three primary objectives:
 1. To **review the Force budget**, and examine the extent of **alignment with the PCC's priorities**;
 2. To **compare the costs of Corporate Services** with other forces and identify if there is scope for savings; and
 3. To identify **potential opportunities for new ways of working** across the Force that could help **transform service delivery and reduce costs**.
- We are conscious that Nottinghamshire Police has been on a **significant transformation journey** over the last few years. Our overall approach has been to build on, rather than duplicate, work that is already on-going within each functional area of the Force. To achieve this we have tried to understand and make reference to, as far as possible, the change programme that is underway. It should be noted that the effectiveness of regional collaboration arrangements are out of scope.
- The review has been undertaken over a period of **seven weeks** during August and September. The level of support and engagement we have received from the Force has been high, both in terms of availability for interviews and willingness to provide data.
- Nonetheless, to review the entire scope of the Force in this timescale has necessarily placed a **limit on the depth of analysis** that could be undertaken in any single area. What the report seeks to provide is an **initial level of insight** that both the Force and Office of the PCC can build upon in the months ahead, and it draws attention to comparisons with other policing and non-policing organisations that could serve as a basis for further analysis.
- In 2009/10, we understand that Nottinghamshire Police Authority's accounts were qualified due to a failure to demonstrate sufficient focus on value for money. It is clear that the Force has made **significant progress** since then in **getting in control of its budget**, and through a period when it was also very focused on improving policing performance.
- In summary, whilst there are a number of areas for potential improvement highlighted in this report, our overall impression from this short review is that the leadership team does have a **good grip of how resources are managed in the Force**, and has plans in place for how this could continue to be improved in the future.

Executive Summary

Overview of the budget

- Understanding the Force's budget is the starting point for identifying **potential savings opportunities and new ways of working**. During the analysis we explored the individual budget lines within each functional area of the Force, but also sought to understand the **process for building the budget itself**.
- Many of the **headline figures in the budget will not be a surprise**. For example, approximately 80% of the Force's budget (just under £160m) is spent on officers and staff, a figure that is consistent with the wider police service, with over two thirds of that accounted for by police officers. Similarly, the budget for the County Division is 25% larger than the budget for City, equating to £10m. This is broadly reflective of the overall balance of demand for policing services, with c.60% of crime occurring in County (although it should be noted that City receives a greater proportion of resources from the regional units).
- The **balance of spend across policing services** is perhaps more interesting. For example, Response policing accounts for over half the combined budget of the two divisions and Neighbourhood just under one third, with the remainder being accounted for by Investigation teams. There is also some subtle variation between the two divisions: for example, County spends around 53% of its budget on Response, compared to 48% in City; the reverse appears to be the case for Neighbourhood, with City's budget eight percentage points higher than County's (34% and 26% respectively). This is reflective of the different demands within each area. The Force as a whole is aiming to achieve the following split by March 2014 based on the workforce plan: Response 43%, Neighbourhood 27%, and Investigation 30%. The expectation is that the emergence of the TOM and the shift towards more preventative work will further reduce the proportion devoted to Response.
- It is **hard to quantify what proportion of resources are deployed to reactive and proactive policing**, and significant additional data collection would be required given the multiple roles many officers perform. Nonetheless, there has been a strong desire among many interviewees to see the proportion of proactive policing increase, also reflected in the workforce plan, provided it is within a clear, outcome-based framework that is shared with other partner agencies. There is also an appetite to consider innovative mechanisms for delivering such outcomes (e.g. social impact bonds).
- Beyond the two divisions, **approximately 12% of the Force budget is spent on Corporate Services**, and the Force has a **target to reduce this to 10%**. Separately, the budget does suggest areas of duplication of activity across the Force, such as in performance and partnerships, which should be investigated further.
- This exercise has suggested that, while it has evolved, the **building of the budget itself** has not always kept pace with wider changes in the Force. This needs to be developed further if it is to facilitate the kinds of analyses that Chief Officers and the OPCC will want to undertake in the future. For example, in spite of delivering nominally the same services, budgets are built differently in the two divisions, making direct comparisons difficult; budget lines such as 'Command' and 'Admin' can be misleading, masking a range of operational functions, including spend on PCSOs; and contingency budgets are dispersed across the Force, making it difficult to realise savings from them.
- What would be helpful in the future would be a **budget that aligns to the overall operating model for the Force**, with budgets more clearly linked to the key services delivered – such as Neighbourhood Policing, or Investigative Services – thus enabling clear prioritisation choices to be made. Existing ICT presents a significant challenge in doing this, preventing the effective linking of finance and workforce data, for example. Nonetheless, given the on-going work in Force on the Target Operating Model (TOM), now would be a good time to review and refresh the overall approach to budgeting.

Executive Summary

Comparative analysis of Corporate Services

- We have compared Business & Finance, Estates, Professional Standards and HR with similar functions in other forces to understand if there is potential to drive out further savings. The majority of this analysis has been based on comparisons with the HMIC's most similar force group, plus forces from the East Midlands in the analysis where relevant (e.g. Lincolnshire's outsourced arrangements have been excluded in some areas).
- **Overall Nottinghamshire performs relatively well against the peer group average**, especially in relation to Business & Finance, Estates and Professional Standards. Business & Finance in particular has a lower cost as a percentage of the total budget for the Force in comparison to the peer group average, and has a lower cost per FTE than its peers.
- Nottinghamshire **performs less well in comparison to peers in HR**. The cost of the HR function, as a percentage of total force spend, is higher than the group average and the second highest overall, and the cost of the HR function per FTE is also high - almost £80 more per person than the group average and £240 per person more than the group leader. The ratio of HR staff to officers and staff in the Force is 1:62, whilst the leading force operates at 1:117. It should be noted that the high costs in HR seem to be driven by a number of factors including the current high levels of recruitment and the need to support the TOM work.
- In addition, part of the **culture change** the Force is looking to implement within this area relates to supervisors and line managers across the Force taking more responsibility for people and finance issues that currently have to be dealt with at the centre. If this is achieved, this should help reduce the HR requirement.
- If Nottinghamshire could attain **the same staffing ratios as the best performer** among its most similar forces it could potentially reduce Corporate Services headcount by over 50 FTEs (although it should be noted that there are other drivers of cost in Corporate Services that are perhaps more significant than headcount). In this context it would be useful to examine in more detail how Northumbria, one of the best performers, configures its Corporate Services.
- However, it should be emphasised that **policing as a sector is not a high performer** in relation to the efficiency of its Corporate Services, and the scale of potential improvement for Nottinghamshire is starker when other public and private sector benchmarks are considered. **The Force has rightly set ambitious targets and savings plans**, including £3.9m to be realised within Corporate Services by 14/15.
- The achievement of these targets would significantly improve the relative position of the Force against its peers, and would release funds that could potentially be redeployed to proactive and other policing services. Whilst we have not been able to examine the delivery plans for these targets in detail in this review, this implementation will need to continue to be a key focus for the Force and OPCC over the coming months.

Executive Summary

Opportunities to make savings through new ways of working (1/2)

Taking the budget analysis as a prompt, we have worked with officers and staff to examine particular agreed areas in more detail, to identify and develop possible savings opportunities through new ways of working. It should be noted that the wide range of areas covered and the limited time frame mean that there has been a limit to the depth of the analysis, particularly in relation to HR, Procurement and Criminal Justice – each of these areas could be subject to their own individual reviews, as have been undertaken in other forces. These suggestions should therefore be seen as a **starting point for further consideration** and potentially a **platform for additional analysis**.

Among the headlines from this work are:

- Our contract experts have reviewed in detail the fleet contract with Venson, and confirmed the Force view that **there is no easy exit route** from the contract. Nonetheless, there are a number of things that the Force can do to get best value from the contract, including **ensuring officers understand the cost implications of using different vehicles**, and building on current efforts to ensure a consistently robust approach is taken to monitoring performance and managing the contract.
- The Force has already undertaken considerable review and improvement work in **contact management**. There remain two areas of potential improvement worthy of on-going focus. Firstly at the front end, the Force handles a significant volume of low-value demand – for example, 55% of calls do not relate to Force priorities, and only a very small proportion relate to crimes. Such demand has **increased as many other agencies have reduced their own service levels**, and there is a clear need for the Force and PCC to examine how they can work with other agencies to reduce such demand. Secondly, there may well be potential to **reduce knock-on demand in local policing teams** through reducing the number of deployments. Our work in other forces has shown the extent to which incorrect call grading, and a lack of confidence and/or limited knowledge among call handlers that limits effective call resolution at first receipt, can quickly drive up costs 'downstream'. We recommend carrying out a **'deep dive' analysis of the effectiveness of current grading/deployments**, and a suggested set of questions for such an analysis is included in this report. The **Force's own review of its 100% attendance policy** – itself a product of its time – will also help deliver efficiencies in this area.
- **Airwave** expenditure within Nottinghamshire is relatively low at under £700k p.a., which naturally limits the potential for savings. While we have worked with other forces to identify the potential for savings, these have typically related to **reducing coverage or CCI ports** – both of which carry a certain level of risk, which is likely to negate the limited savings possible in Nottinghamshire. A further opportunity relates to the **rationalisation of handsets**: this could result in savings in capital investment, but would require cultural change for the Force if there was a move away from the policy of personal issue. There is also potential to reduce cost through **changing the way officers and staff use Airwave**, and the Force is considering this.
- **HR** in Nottinghamshire Police has faced **some challenges** over the last few years, but has made **significant progress** towards overcoming these. The department as a whole is quite resource-heavy, although the number of demands on HR at the moment seem to be contributing to this. There could be potential, however, to drive efficiencies in HR through undertaking **resource-to-task modelling**, to meet both business-as-usual demands and special project requirements as efficiently as possible.

Executive Summary

Opportunities to make savings through new ways of working (2/2)

- The police service as a whole has tended to manage its **estate** poorly, with many police buildings under-utilised, expensive to maintain, and not aligned to modern policing methods. Recently, however, a number of forces have taken **radical steps to reduce estate footprint**, and through PCC-led publicity campaigns such as 'bobbies not buildings', to do so whilst limiting the impact on public perception. **Plans and an agreed vision are in place to achieve this in Nottinghamshire**, and there is considerable opportunity to drive out cost, as well as generate capital receipts, by changing working practices to use less space and paying less for the space the Force uses. This is recognised in the emerging Force plans. In addition, increasing the extent of co-location and integrated working could help drive closer working relationships with public sector partners. Both cultural and IT-driven change will be required to realise the full benefits, through mobile working for example, but we have also seen elsewhere the **potential for a reconfigured estate to help drive wider transformation** across the organisation. The Force is considering this.
- The plans to **regionallise Criminal Justice** are likely to go some way to modernising this area in Nottinghamshire. Inefficiency in criminal justice is a national issue which the Force is right to be trying to address. The Force is aiming to be at the **forefront of the modernisation agenda**, and as well as implementing a regional model, could work with CJS partners to consider more innovative approaches such as **digital courts and alternative custody delivery models**.
- The Force is focusing on driving savings in **Procurement** through the East Midlands Strategic Commercial Unit. This is **modernising procurement practices**, and focusing increasingly on **effective contract and supplier management**. To build on this success, we recommend that the Force consider enhancing purchasing power through '**bundling**' **low-value ticket items**, and continuing to examine innovative sourcing models, such as delivering printing more cheaply through '**prison printing**'.
- A number of potential opportunities have been identified by the Force in relation to the police **workforce**, including the potential to **extend Workforce Modernisation** to ensure a better alignment between skills, powers and tasks (e.g. extending the use of PCSOs to release officers).
- Perhaps the greatest potential lies in reconfiguring a **more consistent, organisation-wide approach to how resources are matched to demand**. At a tactical level, for example, **supervision ratios** vary between similar teams across the Force area. At a more strategic level, some policing functions appear to be fragmented across the Force, with '**hard**' **geographical boundaries** existing in a number of places. We have not been able to analyse this in detail, but our work in other forces has shown the extent to which this can drive inefficiency, through duplication and over-resourcing to meet demand peaks, as well as militating against collaborative working. The potential for creating more **Integrated, force-wide capabilities** should be examined by the Force's Target Operating Model work. As part of this work we would recommend consideration be given to developing a single, comprehensive '**service catalogue**' for the Force to help inform prioritisation decisions, as well as facilitate demand-reduction discussions with partners.