

Office of the Police and Crime Commissioner for Devon and Cornwall

The Future Financial Roadmap

1. Introduction

In March of this year the Police and Crime Commissioner launched his revised Police and Crime Plan. The plan contains the PCCs vision which can be summarised in the following words:

To make Devon and Cornwall and the Isles of Scilly a safe place to to live, work and visit. I want to cut crime, keep people safe and encourage everyone to work together to make communities stronger and safer.

This vision is supported by six priorities one of which is to ‘Make Every Penny Count’ in protecting policing in the long term.

In order to Make Every Penny Count further efficiencies need to be secured which requires the exploration of all avenues to deliver the significant financial savings required to 2018/19, in order to sustain current services and deliver the Police and Crime Plan.

2. Background

Under this Plan a major project was launched in June 2014 to consider how these savings can be achieved and to create a joint Financial Roadmap between the Commissioner and the Chief Constable which sets out the scope for these further financial savings

In order to deliver this significant challenge the PCC formed an internal group of staff and police officer representatives. This group has become known as the ‘Every Penny Counts’ Delivery Board (EPC). In order to provide wider expertise and scrutiny the Board contains the PCC’s Senior Advisor and an externally appointed independent financial advisor. The board has met every six weeks since June 2014 and has identified savings for the 2015/16 financial year and the three years beyond to 2018/19. This report presents the main highlights from that work and the continuing further future roadmap.

3. The Start of the Journey

In preparing the Financial Roadmap it is important to take account of the road already travelled. The journey to make savings commenced in April 2009 and by the end of March 2015 financial year savings of £52.5m will have been made, almost 20% of the gross budget. Up to this point, Devon and Cornwall police force have not only reduced staff and officer numbers, but made significant, design led costs reductions. To summarise the following reductions in staff numbers have been made:

- **Police Officers** - Police Officer numbers have reduced from 3,500 before the CSRs to 3,040, a total reduction of 460 (13%). The introduction of compulsory retirement at age 55 (A19) between 2010 and 2012 removed significant numbers of Police Officers, and significant costs, from the base budget. The remainder of reductions have been achieved through natural wastage. Police Officer numbers have remained relatively steady for the last 3 years.
- **Police Staff** - Police Staff numbers have reduced by 551 since 2009. This represents 25% of total staff and is in addition to the re-designation of 145 posts in 2008/09 which were used to release 200 Officers to front line duties.
- **PCSOs** - PCSO numbers have remained constant at 360 since 2009/10. Due to a delay in police recruitment in 2011/12, numbers were temporarily increased to above 380 in the knowledge that many PCSOs would join as Police Officers once recruitment re-opened.

Supplies and Services -

ICT : Traditionally a significant amount of ICT service provision has been outsourced. Much work has been undertaken since then to reduce ICT costs including reductions in in-house staff and renegotiation of contracts. This has included the main managed services contract, the BT contract, and licensing contracts.

Fleet: In the last few years, the fleet has been reduced from 1283 to 1032 vehicles (20%); a workshop has been closed and staff numbers reduced; a new spare parts contract under Uniparts has been successfully introduced; and outsourced servicing has been introduced for many minor repairs. Overall, police fleet running costs have reduced by £800,000 (13%) since 2009/10.

Procurement: Procurement is run as part of a regional unit. Running costs for Devon and Cornwall decreased by £100,000 on commencement of the regional service. Year on year cash savings of £1.5m (for Devon and Cornwall) have been achieved by the improved procurement function in the last two years.

Estates: Floor area has reduced by 2% since 2009/10. Running costs have reduced by £1.8m over the same time. This has included ongoing rate reviews, centralisation of utility bills and energy efficiency measures. Significant investment has been made to allow the sale of part of Headquarters in order to fund a replacement Exeter custody unit.

Outsourcing: The following is a selection of services outsourced:

- ICT (see detail above)
- Courier service;
- Cleaning service;
- Catering service;
- Pensions service;
- Force Medical Examiner service; and
- Much of the forensic service.

Most of these contracts have been renewed since 2009/10. Cashable savings have been achieved in most cases. Pensions and the reprographics services have been outsourced in the last two years.

Collaboration –

We are currently sharing, or about to share premises with other public sector organisations at:

St Columb, Hayle, Ilfracombe, Salcombe, Axminster, Rosemoor Court, Bodmin, Camelford, Tregony, Perranporth, Argyle House, Hawkins House, Ottery St Mary, Tregony, Pool, and Lynton.

Devon and Cornwall is a member of Zephyr, the Regional Serious and Organised Crime Unit, and are lead force for Regional Forensics project currently underway. There is good and innovative co-working around MAPPA,

MASH and a Health Service pilot to support mental health triage. Day to day there is a wide range of operational co-working with a range of local partners.

In financial terms the total savings are summarised in the following table:

Table 1 -Total Savings Already Achieved Over Six Years

	2009-10 £m	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m	2014-15 £m	Total £m
Police pay savings	0.0	-0.3	-8.5	-5.2	0.0	-0.4	-14.4
Police staff savings	-2.8	-2.7	-4.5	-6.5	-1.3	-0.1	-17.9
PCSO staff savings	0.0	0.0	0.0	0.0	0.9	-1.1	-0.2
Non-pay savings	-1.4	-2.0	-6.2	-3.5	-3.7	-3.2	-20.0
Total savings	-4.2	-5.0	-19.2	-15.2	-4.1	-4.8	-52.5

4. The Ongoing Journey

The financial pressures placed on all public services will, in line with the 2014 Autumn Statement, continue to be intense with savings required of at least equal to the previous four years of the CSR. While significant efficiency savings have already been achieved we will need to deliver further cost reductions to balance the books (i.e. not rely upon reserves) and sustain policing in the long term. At the start of the financial year in April 2014 it was estimated in the four year Medium Term Financial Strategy that we will need to find additional savings of £14.1m per annum from 2017/18 to offset expected budget cuts from central government. As we approach the start of 2015 a new four year budget is in the process of preparation for 2015/16 onwards which takes into account the savings identified by the Force and the EPC Board and also updates the amount required to balance the budget over the next four year period. The sum still to find is expected to be in the region of £8m per annum by 2018/19.

The policing landscape is also changing. New and emerging areas of demand are also being experienced to tackle cyber crime and child sexual exploitation, coupled with this further cost pressures are being experienced in the replacement of national police computer networks and the essential upgrading of internal IT systems. These changes mean that spending capacity needs to be made available to accommodate these changes.

The PCC has set a key principle for EPC which is to ensure that savings are achieved not by the simple reduction of officer and staff numbers but by analysis of changes in demand and benchmarking with other police and similar organisations to find improved methods of working. The following approach to achieving this was endorsed by EPC in the following approach to making savings:

- Drive out savings through reduction in officer numbers and workforce mix, based upon improved efficiency.
- Carry out individual service reviews and make savings.
- Extend collaboration to other forces and regionally.
- Carry out benchmarking to assess value in comparison with the market.
- Change structures and processes in line with the market.

In finding savings the EPC are not afraid to identify new approaches and also in certain areas to look at pioneering ways of working. A major new strand of work for the future is the investigation of what transformational approaches are used by the private sector when services are outsourced.

Developing approaches to new ways of working in order to deliver savings is more time consuming and needs financial support. This interim funding is provided by the PCC through the one off use of reserves.

5. Paving the way for the Future

In line with the PCCs methodology the EPC board commissioned a study from Local Partnerships (LP) an external advisory company (sponsored by the Treasury and LGA at no cost to the PCC) to undertake a benchmarking exercise. The approach was a 'rapid review' focused on current budgets to identify any major disparities with other forces, identify common efficiency practices in other forces and report key features of initiatives already underway.

A review of the HMIC data for 2013-14 provides the benchmarking results contained in the following table

Table 2 - Benchmarking of Devon and Cornwall costs and income against all forces and the most similar group (MSG)

Function	£m	£/head popn.	Ave all forces	Ave MSG*	Diff £m All	Diff £m MSG*
Local Policing	118.3	70.8	75.1	68.4	-7.3	3.9
Dealing with Public	16.5	9.9	11.3	10.5	-2.3	-1.0
Criminal Justice	20.9	12.5	12.6	12.7	-0.1	-0.4
Road Policing	7.2	4.3	5.4	5.1	-1.9	-1.3
Ops Support	15.0	9.0	7.7	6.5	2.1	4.2
Intelligence	10.0	6.0	7.4	6.5	-2.4	0.8
Investigations	24.0	14.4	15.0	12.2	-1.1	3.6

*Most Similar Group

Overall Devon & Cornwall is a relatively low cost force. The total cost per head of population is below the national average and around the median for the comparator group of eight forces with similar crime profiles. Specifically, police staff costs (i.e. non-uniformed personnel) and non-staff costs which together make up the main elements of the back office costs, are in the lower quartile of costs per head of population.

On the police operations side, a £15m spend on Operational Support is 38% higher than the average for the comparator group. This is not reviewed in detail, mainly due to the distortions arising from different cost allocation assumptions in this area. The main focus of benchmarking in the roadmap from this exercise is on the back office service support costs and earned income

With regard to support costs, the two exceptions with higher than average costs are in ICT (15% higher than the national average) and Training (11% higher than the national average).

Earned income was the lowest of the comparator group and significantly below the national average.

Local Partnerships looked more closely at the back office functions, with more detailed benchmarking, a review of the options appraisals from the Strategic Alliance work, and interviews with the function heads. The findings around the areas reviewed are detailed here:

Human Resources

The cost of HR in 2012/13 was £3.5m. This equates to HR cost per member of the Devon & Cornwall population of £2.05 which is close to the national average. The HR cost per FTE within the Force is £665. The average is around £650 per FTE and some of the best forces, such as West Mercia, are down to £500 per FTE. Options appraisal in the Alliance review proposed a single HR function for the two organisations, with local HR Business Partners, shared centres of HR expertise, and single People Services Centre. This identified significant savings. A full business case is due in January 2015.

Learning and Development

The cost of L&D in 2012/13 was £6.6m. This equates to a training cost per member of the Devon & Cornwall population of £4.00 which is above the national average of £3.60. The training cost per FTE within the Force is £1.26k. The average is around £1.05k per FTE and some of the best forces, such as Norfolk, are down to £800 per FTE.

The Alliance review focused strongly on the ratio of L&D Staff to FTEs. Devon and Cornwall have a ratio of 1:51, whilst Dorset have a ratio of 1:48. Adopting Devon & Cornwall's centralised L&D organisation model, could reduce overall costs. Learning and Development costs for Devon and Cornwall are inflated by recruitment training which in other organisations is reported separately.

Finance

The cost of Finance per the 2013/14 estimates was £1.3m. This equates to a cost per head of population of £0.8. This compares favourably with a figure of £1.2 for all forces and with £1.0 for the average of the most similar group (MSG) of forces. In effect Devon & Cornwall is spending £0.7m below the average of all forces and £0.4 below the MSG average.

National benchmarking confirms that both forces are cost efficient with Devon & Cornwall being nationally the fourth lowest spender and Dorset being the ninth lowest. A full business case, and further savings will be considered in January 2015.

ICT

The cost of ICT submitted in the 2013/14 estimates for HMIC was £15.9m. The ICT cost per FTE within the Force is £3.01k. The National average is around £2.45k per FTE and some of the best forces, such as West Mercia are down to £1.65k per FTE. Devon & Cornwall has recently re-tendered its contract with considerable savings. It is likely that the Alliance will require additional ICT costs; an ICT contingency Strategy has been initially approved. A full business case for the service departments was due in September 2014.

Estates

Spend on Estates in 2012/13 was £13.1m. This equates to an average Estates cost per member of the Devon & Cornwall population of £7.90 which is below average. The Estates cost per FTE within the Force is £2.49k, which is very close to average. Some forces, such as Suffolk, are down to £2.15k per FTE. The Alliance review proposed integration of Estates management into a single organisation structure and identified initial savings of £159,000, at the same time anticipating further possible savings likely to be found. The Alliance review recognised that both forces are in an extensive period of Estates development and suggested that integration should be put on hold until the bulk of those change programmes are completed.

There is already an aggressive programme of cost reduction (targeting £500,000 off the running costs per annum) for Estates. There are a number of projects trying to reduce Estate costs by sharing accommodation rather than exiting locations. There is also a major project to sell part of the HQ site for retail investment. Building services, cleaning and security are currently outsourced.

Transport

Spend on Transport in 2012/13 was £5.9m. This equates to an average Transport cost per member of the Devon & Cornwall population of £3.60 which is below the comparator group average.

The total annual mileage of 21 million miles is high – reflecting the geographics and extent of travel. The cost per mile (28p) is low, indicating relatively efficient fleet management. This is backed up by an average annual mileage per vehicle of 18000 which is better than average – so utilisation could be slightly improved (19000 would be better) but not by much.

The Alliance review identified cost efficiencies from moving to a single Fleet Management organisation with some staff savings, and the potential of a reduced estate costs from rationalised servicing sites. A full business case is due in January 2015.

Devon and Cornwall transport have reduced running costs by £1.3m in the last 2 years through increased service intervals, new procurement frameworks and purchasing contracts. They are now focused on more efficiencies from the introduction of telematics (pilots are indicating that introducing telematics will reduce annual mileage by 20%). The savings are significant, and these have been already incorporated into the planned savings for the force. They are also looking into improving utilisation of the Armed Response Vehicles.

Transport currently do some vehicle servicing for the Ambulance Service and for Cornwall Fire & Rescue.

Admin Support

From the 2013-14 benchmarking data supplied, Devon & Cornwall spent £3.2m on administration support in total. The cost per head of population of £1.90 compares favourably with the national average of £2.40 and very favourably with the comparator group average of £3.20. However, Administration support is difficult to compare with different forces including different elements of cost that makes it a difficult cost to compare accurately.

The initial Alliance review identified cost efficiencies from a slimmed management structure, and the introduction of a joint Hub. A full business case is due in January 2015 with savings potentially in excess of the estimated £300,000.

Over the last three years both Devon & Cornwall and Dorset have reduced it's admin staffing significantly. There have been a continuous stream of service reviews and re-designs to improve the value for money from Admin Support.

The geographic spread of operating bases with the associated admin support required, limits the scope for centralised resourcing and hence economies of scale, but there is scope to explore more self service and to explore further cost savings within the dispersed admin support.

Business Change

The two teams of Devon & Cornwall and Dorset are broadly providing very similar services. Devon & Cornwall does have a stronger involvement with the "business as usual" environment and supports continuous improvement.

The options appraisal identified opportunities for joint working and shared expertise as a first step, followed by the potential move to a single integrated organisation that would lead to savings.

Income

Income is an area where comparative statistics statistically show Devon and Cornwall generating less income than other comparable forces. HMIC benchmarking data indicates that this is predominantly because of lower than average levels of reimbursed income due to only one league club in the policing area. Income is a workstream within the Financial Roadmap.

Office of the PCC

This HMIC benchmarking data for the OPCC office costs is based upon estimates for 2013/14, due to changes during the year the actual costs were £2,037m. Using the population estimate of 1.6m and estimated data for other forces this gives the following comparatives:

Actual Spend	Cost per Head	MSG Average	Diff
£2.037m	£1.21	£1.40	-0.19p

The Devon and Cornwall OPCC represents lower level costs than those nationally however the PCC is aware that costs need to be reviewed after 18 months of operation to ensure that staffing levels and overhead costs are efficient.

The observations made from this benchmarking exercise will be taken into account when working up the final business cases for the proposed strategic alliance.

The Financial Savings for the MTFs and the Road Ahead

The Police and Crime Plan set out the main areas that the PCC wished to investigate for savings. These were developed into a number of workstreams of which the following are the main ones:

- Income Generation (Work Stream 1)
- Strategic Alliance and Collaboration (Work Stream 2)
- Review of Estates (Work Stream 3)
- Improving Efficiency (Work Stream 4)
- VFM in the PCCs Office (Work Stream 5)
- Innovation fund bids (Work Stream 6)

In order to assess the savings potential for each of these three areas they were considered under three main headings:

- a. Identified and in the budget. These are included within the budget for 2015/16 onwards. In order to minimise risk all savings will only be released following a detailed business case.
- b. Identified but not fully developed. Next stages of development.
- c. Areas for further investigation, research being carried out.

The considerations under (b) and (c) form the ideas for a future Financial Roadmap.

INCOME GENERATION – WORK STREAM 1

The EPC board carried out a full investigation into ensuring that all statutory charges and common items were set at the correct level and properly collected and accounted for with a small increase in income to be built into the budget. One major

area of cost recovery identified by COG was the recovery of legal fees from Partners and this is included within the revised 2015/16 budget.

The Future Roadmap

Identified but not fully developed. Next stages of development

A number of income generation areas identified are still under consideration including the delivery of D&C driver improvement training, fundraising opportunities and advertising on the police estate.

Areas for further investigation, research being carried out

Investigation of external match funding for PCSOs and input into renewed government consultation into shotgun licences.

STRATEGIC ALLIANCE AND COLLABORATION – WORK STREAM 2

Identified and in the budget, these are included within the budget for 2015/16 onwards

The proposed Strategic Alliance with Dorset is governed by separate Alliance Executive board savings being accounted for in the MTFS. The EPC Board has supported this process by the work of Local Partnerships who have provided general benchmarking data for the business cases and a full 'soft market test' against outsourced suppliers. The proposed strategic alliance provides, when fully implemented, a total annual saving of £8.4m. The regional forensics programme reported through this board has identified for participating organisations total annual savings over four years of £700,000.

The Future Roadmap

Identified but not fully developed. Next stages of development

The proposals made by external service suppliers are to be further analysed to provide cost guidance to each case study and also to understand in each submission what the proposals for cost reductions are. More accurate benchmarking activity needs to take place. Follow up with suppliers is also needed in order to understand the different ways of working that are proposed. The benefits of transformational change require further research along with the advantages of a total operating model.

Areas for further investigation, research being carried out

Further work to be carried out in the procurement function to evaluate if a larger procurement unit with regional forces can drive out further savings in purchasing currently – this exercise to be informed by external consultancy advice.

REVIEW OF ESTATES – WORK STREAM 3

Identified and in the budget, these are included within the budget for 2015/16 onwards

During the year the force estates department carried out a review of all operational and non-operational property to identify properties where there were buildings with high revenue costs and low operational or other usage. These were considered by the EPC board and a list of properties for disposal identified. This work will bring an estimated saving of £726,000 over a four year period.

The Future Roadmap

Identified but not fully developed. Next stages of development

The PCC has asked that further work is carried out into the estates disposal strategy to ascertain if certain disposals can be brought forward in order to release savings earlier.

Areas for further investigation, research being carried out

The OPCC is currently researching the opportunities that may be provided through self-development of police owned sites for commercial return. This will be subject to rigorous appraisal and risk analysis.

IMPROVING EFFICIENCY – WORK STREAM 4

Identified and in the budget, these are included within the budget for 2015/16 onwards

This project has identified and linked into the MTFs the savings that are reported through the benefits realisation process of the Force Programme Board. The force has also carried out re-design work on call handling as part of the demand reduction project. Other significant areas of business benefit is the review of custody and mobile data.

The Future Roadmap

Identified but not fully developed. Next stages of development

Further work on benefits realisation needs to be undertaken by EPC to ensure that cashable benefits are delivered in the budget and that old practices are not reverted to.

Areas for further investigation, research being carried out

Further phases of the policing the demand project are currently being researched by the force

VFM IN THE PCCS OFFICE – WORK STREAM 5

Identified and in the 2015/16 budget, onwards

A full review of the PCC'S office in comparison with other OPCC offices was carried out by comparing functions and cost. There is no 'one' template however, and costs vary considerably across PCCs. After a review of the demand and functions it was decided to reduce staff posts by 4 and to relocate office premises to the police estate thereby making a total annual saving of £275,000.

The Future Roadmap

Identified but not fully developed

A further phase of possible reductions was identified through a review of administration and internal audit the latter being dependent upon the strategic alliance.

Areas for further investigation

It is also considered possible to make further efficiency (if not cash) savings by working closely with the OPCC office in Dorset.

The costs of the PCC's office will remain under regular review to ensure they provide value for money.

INNOVATION FUND BIDS – WORK STREAM 6

The Home Office provides grant funding to help PCCs innovate. The PCC successfully bid for 2 projects in 2014/15 and bids are expected to be made for further projects in 2015/16. Whilst these projects do not provide savings they, when fully implemented in future years, yield savings.

6. Quantifying the Savings to be Made

From the analysis in the above paragraphs the following savings roadmap commencing in April 2015 can be created. It shows in one table those areas of saving identified and included within the budget for 2015/16 to 2018/19. It also shows the financial savings gap ahead that is required to be filled by savings currently being researched or not fully developed outlined in the previous paragraphs.

Table 3 - The Financial Roadmap of Budget Savings Identified

Ref	Cut	Impact	Risk	Total £'000
A3.1	Strategic alliance	Transformational	High. Dependent on four corporation soles; legislative change and PCC elections may impact. Scale of change to deliver savings especially challenging	5,391
A3.2	Strategic alliance	Transformational	High. Dependent on four corporation soles; legislative change and PCC elections may impact. Scale of change to deliver savings especially challenging	3,009
A3.3	Estates	Property Storage and Records Management	High. Significant re-provision of stored property and records management. Dependent on successful progression of HQ development	200
A3.4	Change programme police staff reviews	CJ and Custody reviews as already agreed - reviews not yet complete but on target	Medium - in budget. Custody review in particular may identify significant change processes	1,704
A3.5	Vehicle reductions (technology)	In order to reduce usage of vehicles and improve deployment. Significant cuts in vehicle numbers have taken 20% of costs from the system. Providing vehicle location data will drive	Medium - procurement process not complete. OBC identified good evidence from other forces on savings made	600

		next round of savings whilst mitigating the operational impact of further reducing vehicle numbers		
A3.6	Estates	Assumes estates strategy shuts and does not re-provision some stations. Operationally are likely to be viable but may cause public / political concern. Stations to be initially considered include Budleigh, South Brent, and Callington.	Medium. Likely opposition from staff, public and the press. Operational deployment issues less likely. Some potential closures would be of stations where the front desk has recently been closed. Interdependencies with other change (e.g. HQ Project) and resource issues	700
A3.7	Charges to Local Authorities	DCP currently provide a considerable amount of incident and crime data to Local Authorities as part of court order procedures. We currently provide this free of charge, leading to high demand. Neighbouring forces charge for this information; were this charge to be introduced, it is likely that demand would significantly reduce and income be generated	Medium. Local Authorities may review their own charging arrangements leading to increased cost for DCP. Perception that police not co operating in child care and other court orders	
A3.8	Mobile data (change programme)	Mixture of stationery and travels costs; and police staff reductions including in control room	Some medium and some high risk. Pilot of project not yet rolled out	190
A3.9	Returns on commercial developments - EPC	Potentials for commercial development of sites e.g. Paignton being explored	Medium. Legal issues being explored	100
A3.10	Officer reductions	To 3010 as previously agreed	In budget - low	2,515
A3.11	Other locally managed		In budget - low	1,135

	budgets (under-spending and other reductions)			
A3.12	Forensics (collaboration)	Phase 1 & 2	In budget - low	500
A3.13	ICT FM contract		In budget. Contract awarded - low	950
A3.14	Vacancy disestablishment	To reflect higher turnover of police staff than anticipated	In budget - low	500
A3.15	Forensics (collaboration)	Phase 3 business case for forensics alliance now agreed by Region.	Low. Business case now agreed	420
A3.16	Wellness (contract)	Ending of current contract	In budget - low	300
A3.17	OPCC EPC	Estates and staff changes	In budget - low	431
A3.18	OPCC Commissioning budgets			400
A3.19	Estates	Existing Rationalisation and R&M reductions	In budget - low	225
A3.20	CJSE (Programme savings)	Income from Police Led Prosecutions	Medium. Income already expected but has not been received - work on going to address this	
A3.21			Total	19,270
A3.22			The Gap to be Filled	9,823

7. Next Steps

The next steps are clear, the OPCC and Force need to continue to make savings in order to fully cover the funding gap and this will be the continuing role of the EPC board.