

## **CONTINUITY WITH CHANGE - The implications of CSR15 – Final Version**

### **A submission from Police and Crime Commissioners September 2015**

This submission presents the views of Police and Crime Commissioners on the challenges facing the service in CSR15. PCCs have taken part in the discussions at Home Office Gold and Silver Groups over the last 18 months, and the submission draws on the evidence base which has been built up by Silver Group.

The Police service must define its critical path for the next five years. In other words the factors on which the Government and local leaderships should focus their attention if the changes which will inevitably flow from CSR15 are to be implemented with the minimum risk to continuity and public safety.

PCCs and Chief Constables are confident that many of the foundations which have been put in place locally over the last three to five years will help smooth the path for the period ahead, but it will also require positive support from Government and partners.

The APCC is working closely with NPCC to exemplify the strategic and operational implications of the potential funding changes, and the varying impact on individual Forces. Chief Constables are making a separate submission to CSR 15. The two submissions have been shared, and are complementary in approach.

Fronting the submission from Police and Crime Commissioners is a brief overview which captures the essence of their arguments. This section also sets out the APCC's assessment of the risks facing Government, the Service and the public. The main body of the submission is in 8 sections, which pick up in more depth the key issues outlined in the introductory overview. A number of case studies and other evidence are included. There are many other examples available.

Paddy Tipping

David Lloyd

## **PROSPECTS FOR 2015 TO 2020: CONTINUITY WITH CHANGE - THE POLICE AND CRIME COMMISSIONERS' PERSPECTIVE**

**Budget reductions on the scale implied by the planning guidelines for CSR15 will mean major restructuring of all the public services charged with maintaining law, order and public safety. The intrinsic structure of Policing has largely survived the cuts of CSR10, but further real terms reductions in grants will inevitably result in fundamental changes to the service's current role and how it is organised. It is unrealistic to assume an infinite capacity to cut staff levels and support resources. Financial modelling suggests that even after providing for further reductions in staff and other costs, and major use of reserves, the unfunded budget gap could be over £400m in the early years, rising to much more substantial levels towards the end of the period. There are only very limited options for addressing these gaps within the constraints of current rules and expectations.**

**Police and Crime services have borne their share of the spending cuts since 2010 without the benefit of protection. The service has taken resolute action to manage the required changes, while maintaining the balance between demands and resources. Resources have been utilised in innovative ways, and the seeds of transformation have been sown, but it will take time and a shared commitment across Government and public services. Police and Crime Commissioners are prepared for further challenges when the CSR15 allocations are announced. The focus will remain on cost reduction and service protection, although in some areas the consequences may be uncomfortable.**

**Commissioners inherited a service already in transition, and there are many examples since 2012 of how they have applied their unique role to help establish crucial processes and relationships for the future. The remit of PCCs is entirely pertinent to today's circumstances. They provide the community with a recognisable contact, independent of the Force and the Government. The '..and Crime' part of their title is acknowledgement that many of the current influences on law and order - and the consequences for victims - are beyond the control of the Police acting alone. PCCs have the powers and the streamlined decision making processes to make things happen, not only through the Force but also in close collaboration with a wide range of partners in communities and other sectors.**

**A lot of national resources are earmarked to ensure that basic services are available out of hours. Policing has always been a 24/7 service, and for that reason it is often taken for granted, only recognised in its absence. The principles of law, order, and acceptable behaviour may be implanted in human psychology, but it is a fragile balance. Society's expectation is that Police officers will protect them from anything which threatens the principles.**

**Commissioners place a high value on community level services, but recognise that these can be resource intensive, and that many of the service's concerns about future resilience lie in this area. They also recognise the backdrop of a global expansion in organised crime, exploitation and insurrection. All of these are risks which demand cross sector approaches from the services and agencies responsible for public safety.**

**New perspectives are needed. The conventional mindset that the Police service provides a universal safety net may have to be rethought. Only just over 20% of what the Police service does is crime related. The other 80% is the shared responsibility of Government, other public services, local communities and individuals.**

**The non crime activities of Policing often have a social and economic benefit far greater than their monetary cost. The impact that safe and crime-free communities have on national and local economic confidence is often underestimated. The public and partners rely on the Police being there to help and support; without that support, the resilience of communities could be weakened. Effective policing helps the Government deliver its wider economic and social objectives. Programmes such as offender management, informal resolution, troubled families and mental health street triage utilise the skills of the Police in ways which improve outcomes and save costs for other parts of the public sector.**

**Further contraction in the Police service must be offset by other sectors assuming greater responsibility for national outcomes. In reality it is often the reverse, with the Police being expected to step in to make up for the shortfalls in capacity elsewhere.**

**As CSE, cyber crime and terrorism have so vividly shown, demands are constantly changing. Over the next 10 years, the world within which Police and Crime services operate will continue to be more globally and internet driven, which will bring further new risks. Public services such as Police must not fall behind. Crime and community safety is the responsibility of everyone, from Government to individual members of society. Over the next 5 years, the nation must get to the real core of issues, investing in prevention and ensuring that the necessary skills are available. Many of today's problems have their origins in family life, early education, and religious beliefs. The needs of victims are now recognised, and with the right support, Commissioners can take an even more proactive role in victim advocacy.**

**Different approaches will be needed. The Police cannot deal with the risks of radicalisation, CSE and other vulnerable groups and individuals on its own. Cyber crime is a new demand, requiring new skills and new funding. The financial sector and international business must shoulder their share of responsibility for action on internet crime, fraud and other illegal on line activities. With the right support, there is more that the voluntary sector could do. The Government should also review the aims of individual public services**

**and their geographical boundaries if we are ever to achieve true cross sector solutions. Closer alignment between Departments such as Home Office and Ministry of Justice could open up opportunities for better quality and more cost effective joined up services.**

**Timescales must be realistic. Massive improvements in productivity have been achieved, but it is not simply a case of running faster; productivity also means providing the services which users need. While further savings in running costs, procurement and ICT can be delivered over the next two years, the more fundamental reconfiguration of roles which is now required will take at least five years.**

**There are increasing fears about the resilience of the Service and individual Forces. This could have consequences for the Government as well as locally. It is a matter of concern that despite research both nationally and locally, we are still not in a position to define the criteria which indicate when services are starting to come under pressure. Waiting for the accidents to happen is not a rational solution; the loss in confidence resulting from failures could take a long time to rebuild. The scenario to prevent at all costs is a downward cycle of reducing performance and loss of assurance. Many PCCs and Chief Constables are starting to see the first warning signs, and it is vital that CSR15 strategies are sensitive to these longer term risks, and the necessary contingencies put in place. It is worth noting in this context that while on the one hand costs are being reduced, simultaneously the service is facing new cost pressures in areas such as National Insurance, pension contributions, the Apprentices levy, and the recent Scottish legal judgement on holiday pay costs.**

**Despite the risks, CSR15 could represent opportunities if there is a concerted effort across the tripartite partnership. PCCs and Chief Constables want to work with the Government. We are here to advise as well as deliver. Westminster is a long way from the local communities where many of the service's future demands will spring.**

**Several recent independent studies have concluded that devolution is an effective way of harnessing the roles of central and local government in strengthening communities and the local economy. Police and crime functions are an integral part of the solution, and where there is a local impetus for reform, PCCs will want to explore the possibilities. Commissioners look forward to the Government's response to the Advisory Committee's assessments, and the opportunities to build on these proposals alongside the separate programmes for devolution, funding and bluelight integration.**

**The service is now entering unknown territory, and there are implications and risks for the public and the economy if the Government, Commissioners and Chief Constables are unable to achieve the right balance. These risks will not all occur simultaneously, or affect every part of the service in the same way,**

but the diversity of the possible impacts is a useful pointer for where the service needs to focus its attention.

- Loss of assurance, leading to increased fears for safety
- Enforced curtailment or withdrawal of specific activities
- Loss of confidence by the business sector, leading to lower levels of investment and damage to the UK's image
- More regular abstractions from local Policing to meet other emergency demands
- Further withdrawal of financial and other support by partners
- Reduced scope for PCCs to fund local community safety and victim support schemes
- Even higher demands on Policing as a result of further contraction in Health and other local Council services
- Weakening of local support for the Governments wider social objectives
- Inability to respond as effectively as in the past to new threats and risks
- Weakening of support for other local public services if the Police service is forced to retreat to a more crime based, reactive approach
- A break in the vital intelligence thread from grassroots community level up to national security
- Failure to make the required long term investment in technical skills and capacity
- Failure to respond adequately to changing crime patterns
- Threats to the long term sustainability of prevention activities
- A slow decline in confidence and quality, which could take many years to recover

The Home Office consultation on future funding arrangements was issued at the same time as the announcements about CSR15 planning guidelines. While the precise details remain uncertain, a number of Commissioners have already raised concerns about the added pressure facing areas which will receive lower shares of the grant pool during a period when the quantum itself could be reducing by more than 25%.

PCCs are attuned to the local environment on a daily basis. We believe that the impact of some of the reductions now being discussed will create heightened risks for many communities and the economy. It is of paramount importance that PCCs work with the Government on the targets and the potential implications. This submission outlines the risks, and also some of the opportunities.

Managing with even lower funding requires a concerted effort from all sides to pool resources, to align objectives, and to clear anything which acts as a barrier to progress and flexibility. The Service will take its own action to mitigate the consequences, including better understanding of demand management, more imaginative approaches to innovation and productivity, and strengthening the confidence to engage in collaboration and collective

procurement. In addition, however, there are actions which could be taken through CSR15 which would help give PCCs and Forces the flexibilities and room for manoeuvre they will need over the next few years -

- Greater freedom to set local Council Tax strategies
- Multi-year grant and local funding plans
- Annual grant and local consultation timetables which provide for meaningful engagement locally
- More flexible approaches to income generation; the present rules often act as a constraint on the service when it is clearly operating in a 'commercial' environment
- Further investigation of the opportunities for Policing to receive its share of the financial benefit from local expansion of commercial and domestic developments
- New approaches to encouraging innovation
- Direct action from the centre to break down barriers and promote more effective cross sector approaches
- Expanded powers for PCCs to promote cross sector approaches
- Commitment to ensure that PCCs have the same range of powers on general competency as other Local Authorities
- A nationally supported approach to capacity building
- Preservation of current funding streams for community based initiatives and victims
- Programmes directed towards building engagement with the next generations
- Government support to encourage and facilitate better communication between partners on aligned objectives and use of resources
- Financial and other forms of support for the voluntary sector and other categories of volunteer.
- Redrafting of current rules, regulations and practices which restrict flexibility and the effective and economical use of resources across the service.
- Assistance from the Government for accessing Euro based funding streams for community and crime related activities

All of these actions will help Commissioners balance 'Continuity with Change', and the APCC hopes that they will establish a dialogue with Ministers over the next few months

The rest of this submission deals in more detail - including case studies - with the matters referred to in the overall message above. It comprises eight sections:

- A: The role of PCCs in putting the foundations in place for the future**
- B: Financial assessments, and the significance of reserves in future strategies**
- C: The current environment for Policing and public services**
- D: Maximising the contribution from collaboration and innovation**
- E: Resilience of current services**
- F: Social and economic benefits of effective Policing**
- G: The longer term scenario for public services and Policing**
- H: Action by the service and the Government to mitigate the risks**



## **PART A: THE ROLE OF POLICE AND CRIME COMMISSIONERS IN PUTTING THE FOUNDATIONS IN PLACE FOR THE FUTURE**

### **The role of Police and Crime Commissioners**

1. The introduction of PCCs two years into the first phase of the austerity programme meant that they inherited a service already in transition, but also one that was facing even bigger challenges in the years ahead.
2. Policing services are often taken for granted. The vast majority of people believe in the principles of law and order in society. Their expectation is that the Police are there to protect society from actions which threaten law and order.
3. PCCs hold the ultimate responsibility locally for Policing strategies and resources. The addition of the words '...and Crime' in their title is acknowledgement that many of the factors which drive crime and its consequences are beyond the control of the Police. Their role provides them with a unique perspective. They are democratically accountable to local communities, and at the same time they provide the vital interface between the Force, the public, and partners.
4. The austerity programme has been extended, and there is a high probability that it will require cuts on an even bigger scale than CSR10. The priority for PCCs and Forces in the last 5 years has been to reduce the cash cost of the service. The essential fabric has largely remained intact in terms of how it is structured, what it does, and what people expect from it. For the future, it is likely that real changes in functions and organisation will be needed. The easily releasable savings in running costs have largely been achieved. Staff numbers have fallen, but productivity improvements have enabled the service to manage changing workloads and new demands.
5. The balance will be more difficult to sustain over the next five years, particularly at the upper end of the planning parameters. Discussions need to start now on how the Service might be reconfigured, and the functions that it can realistically maintain to current levels of expectation. There will be difficult choices to make, and it is essential that there is an effective dialogue at local and national level between the tripartite members, so that transitions can be managed safely and sensitively.

### **The foundations which have been put in place**

6. Commissioners have learned a lot from the experiences of CSR10, and have been instrumental in building relationships and putting in place some of the mechanisms which will help navigate the next stages.



7. Their role as the interface between the public, the Force and partner organisations has enabled PCCs to act as a catalyst for action not only within the Force, but also across the community. The overview set out below is based on activities in Cheshire since 2012, but is a typical example of the breadth of the Commissioner's agenda.

- A priority based root and branch review of policing in Cheshire (which has generated £13m pa savings, including £4.3m non pay, funded 53 new recruits, and returned 130 officers to the front line)
- A review of existing contractual arrangements, identifying new opportunities including insourcing
- A critical review of the current PFI arrangement, identifying potential savings from early termination
- Negotiations on co-locating with the Fire and Rescue service on HQ and back office facilities
- An award winning collaboration with the Northamptonshire PCC to establish multi-Force shared services. Nottinghamshire has also joined the initiative, and discussions are taking place with other forces and Cheshire FRS to further expand the service
- A unique scheme of participatory budgeting, initially based on using £30000 funding to support over 20 community based projects in a deprived part of Runcorn. Four other similar initiatives are now underway
- Investment in technology, including 17 'contact points' across the Force area to improve public access to policing
- Active participation on the local Partnership Board, which includes Councils, Probation, Health and the LEP
- Action to bring together the leaders of the four Community Safety Partnerships

8. Commissioners have forged strong and mutually supportive working relationships with Chief Constables and Forces. At the same time, an environment has been created which enables PCCs to challenge Forces positively to improve quality and productivity, and reduce unit costs. Commissioners play a full role in formulating national strategies on procurement and standardisation, and are driving forward the medium term strategy for the ICT Company, which should pave the way for substantial cost reductions over the next 5 years and beyond. ICT developments are only the means to a wider end. Evaluation suggests that direct savings on hardware and software of £100m will often gross up to 5 or 6 times that level when the secondary impacts on staff numbers and other running costs are taken into account. Those are the cashable savings; they exclude the additional beneficial impact on productivity and improved management information flows.
9. New long term relationships have been established locally and regionally. Many PCCs believe that the future for public services lies in better alignment

of aims and resources between public, private and voluntary sector organisations, and they have grasped opportunities to pursue this objective.

*In **West Mercia**, Team Shrewsbury brings together the local Council, the Police, Health providers, bus and rail operators, the Fire and Rescue Service, local employers and businesses, charities and residents bodies. The aim is to prevent harm. Multi agency protocols have been agreed to respond to crime, antisocial behaviour, licensing enforcement, and a wide range of lower level local concerns. Benefits include cash savings through removing duplication and swifter responses. There are wider benefits to Health and A and E services for instance. The Chief Constable has commented that ‘ Rather than agencies coming together to resolve problems, they are already together when the problem arises’*

*Team Worcester has been launched in 2015 to roll out the concept.*

*The Weston Gateway project in **Avon and Somerset** involves Police, the Council, and other local partners in integrated services and front-office public facilities*

*In **West Yorkshire**, the OPCC hosts a senior post dedicated to building and strengthening relationships with the voluntary sector; a Force wide strategy for working with the sector has been developed*

*The **Gwent** PCC has set up a multi agency Strategic Commissioning Board who provide strategic direction to his commissioning programme in relation to strategic planning, service quality, contracting performance, and management and stakeholder engagement. Membership is at Chief Executive or equivalent level and comprises the OPCC, Gwent Police, Local Authorities, Local Health Board, South Wales Fire and Rescue, registered social landlords, National Probation Service, the community rehabilitation company and the voluntary sector. Success to date includes the setting up of ‘Safer Gwent’ (whose aim is to provide collaborative opportunities to inform and redesign the community safety landscape on a regional basis in support of local delivery and to distribute Community safety grants); and the creation of ‘Connect Gwent’, a multi-agency Victims Hub which supports victims of crime and ASB for as long as they need.*

10. New lines of local funding have been created, often using the commissioning powers introduced in 2012. Innovative approaches help break long established moulds. They encourage fresh thinking, and generate enthusiasm for imaginative solutions to longstanding problems.

*Several PCCs have utilised the limited funding available through Community Safety Grants and Victim Support funding to generate match funding from partners. The PCC in **Avon and Somerset** has a comprehensive programme of local funding initiatives including not only community safety and victims, but*

*also witness care and sexual assault referral centres. Shared funding arrangements with health are a common feature.*

*Many PCCs, of which **Devon and Cornwall, Humberside and South Yorkshire** are just three examples, operate local small grant schemes. Funding is also often channelled to Community Safety Partnerships, and youth offender programmes. In **Gwent**, the annual Partnership Fund distributes £150k to charities and community groups to bring benefits to communities whilst meeting the PCC'*

The experience of negotiating and managing local partnership programmes will be of value in dealing with the challenges of the next 5 years, when the need for tightly focused initiatives will be even greater.

11. Commissioners have been able to reach out to the public in a way that Police Authorities perhaps could not. In many areas, PCCs now represent the local face of Policing. The community has a recognisable contact, independent of the Force and the Government. An image of someone who is in touch with local concerns, and more importantly has the powers and resources to make things happen swiftly, enhances the effectiveness of local policing generally. This puts PCCs in a powerful position to explain the implications which will follow from further substantial cuts in resources, and to involve communities in finding the best solutions. The majority of Commissioners spend a large part of their life 'on the road', meeting partners, local community groups and individuals, and listening to concerns and suggestions. Maintaining contact with local police officers, Specials and PCSOs is also an important part of this role; successful ideas often have their origins at the grassroots.
12. The involvement of Commissioners and the Police service is highly regarded by partners. Again drawing on evidence from Cheshire, two recent examples are:

*Paul Hancock - Chief Fire Officer and Chair of the Cheshire Public Service Transformation Programme*

*' Joint working between bluelight services is the cornerstone of our success in making Cheshire safer .....The contribution and resources allocated by the PCC, Cheshire Constabulary and other partners have been key to our success to date..... Working together we have had success in developing a consistent and coordinated approach to tackling ASB, Domestic Abuse and reoffending, as well as protecting vulnerable members of our community.....Ensuring that the local Police service is able to continue their contribution is crucial to ensure the foundation we have built can be further developed'*

*Ali Stathers -Tracey - Director, Transformation Challenge Award - Cheshire*

*'Moving forward towards a more integrated and efficient delivery agenda for the public sector, it will be vital that Cheshire Constabulary is effectively resourced to offer the public safe and emergency response..... This proactive, forward thinking Commissioner and Force have driven out efficiencies through working in close partnership with Local Authorities, the NHS, Fire Services, and the Voluntary and Community sector.....Joint working has resulted in a significant reduction in Domestic Abuse, repeat victimisation, fewer children requiring assessment by social services, and reduced incidents of ASB.....We have a shared ambition to scale up this delivery model across the entire Force area and as such ongoing investment in critical Police roles will be essential to achieve ongoing improvements to the effectiveness of services and ultimately reduce the need for expensive, emergency responses'*

## **PART B (1): INITIAL ASSESSMENT OF THE FINANCIAL IMPLICATIONS OF CSR15**

13. In isolation, the CSR15 guidelines represent a formidable target. Following directly from a previous real terms reduction of well over 20%, it represents even bigger demands for public services.
14. The Police service has been able to meet the CSR10 targets through a mixture of cash savings, productivity improvements and changes to the way that it is organised. While there are increasing concerns over the financial sustainability of individual Forces, there have been no examples of serious failures to date. It is too early to say whether that position can be maintained, or for how long into the future. Some PCCs receive over 80% of their funding from grants, and it is unrealistic to assume that withdrawing two-thirds of that funding over a period of 10 years can be achieved without fundamental impact on the services provided.
15. CSR10 was testing, but there was the initial buffer of efficiency savings still to be released. Starting from a point when the Service had experienced a lengthy period of real growth or at least standstill, there was also a margin within which the physical and staff resources could be reduced without seriously risking continuity of services. All of that margin has now been removed. This means that a further round of grant cuts is doubly challenging; the targets are high in the first place, and the capacity to cut costs without seriously weakening resilience is now minimal.
16. The last five years have concentrated on reducing the cash cost of the service. Policing still performs basically the same role as it did in 2010, and expectations from users of the Service have not significantly changed. Budgeting will always focus primarily on cash, but for the next phase the more significant measure will be the real reduction in resources, because this effectively represents the scale of structural change which will be needed.

Some cost savings still remain to be released, but the ability to maintain the same momentum must now be limited.

17. In future it is likely that the Service will be firmly into the area of looking at what it does, how it does it, and what can perhaps be done in other ways. In considering the implications of grant reductions of between 25% and 40%, the attention will be on risks, timescales, and new ways of providing services.
18. PCCs and Forces are now assessing the implications. The conclusions will vary across the country, depending amongst other things on:
- Where individual Forces started from in 2010 in terms of the available capacity to make easy savings, and the remaining scope
  - The balance between grant and Council Tax in the local funding package
  - Local patterns of demand
  - Local opportunities to make further savings through collaboration or sharing of resources
19. Some financial modelling has been undertaken at service-wide level. By its very nature, financial modelling over a 5 year period can only present a broad picture. Even a basic model incorporates a number of significant variables, and small % changes in annual assumptions will compound into substantial variations in the 5 year totals. However, as long as those limitations are recognised, the modelling can provide a good indicative forecast of the likely trends. The main variables in the Police budget are grants, Council Tax, inflation and staffing trends.

Grant reductions could range from around 5.2%pa up to 10.3% pa in cash terms. A 'mid-range' option of 7%pa cuts has also been modelled.

Staff numbers are critical to the forecasts. At one extreme PCCs and Forces could aim to replace 100% of all natural turnover; at the other extreme all vacancies might be absorbed, with compulsory redundancies in addition.

Non staff savings will also be a significant factor in the equation, and additional savings from ICT, procurement and other collaboration can be assumed.

## **Results and implications**

20. The results of the modelling 15 scenarios based on the assumptions above are summarised in the Annex. These basic results exclude any contributions from reserves.
21. For the purposes of evaluating the potential implications for Policing, the 'mid-range' set of grant assumptions has been used, combined with assumed 50% replacement of turnover and savings on key cost reduction programmes

of £115m in 2016/17 rising to £390m pa by 2019/20. These latter figures are subject to further evaluation, and at this stage must be regarded as highly provisional.

22. Drawing on recent returns from PCCs, the Service is already planning to utilise nearly £900m of revenue reserves (including FY 2015/16) to support medium term financial plans and change programmes over the next four financial years. This will help close gaps in the short term, although the capacity available to use reserves in this way will probably be exhausted by 2019/20. The results after adjusting for this are:

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Forecast shortfall	752	915	1050	1127
Planned use of reserves	303	188	136	-
<b>Shortfall after using reserves</b>	<b>449</b>	<b>727</b>	<b>914</b>	<b>1127</b>

### Options for closing the gap

23. There are only a limited number of options available to PCCs and Forces.

- **Continued reduction in running costs:** the impact of grant reductions since 2010 has meant that most of the easily releasable savings have been achieved. The marginal gains from further rounds of basic cost cutting will decline.
- **Further contraction of staff establishments via natural wastage and compulsory redundancy:** this has been the single biggest source of savings since 2010. Over the same period, crime trends and higher productivity have combined to enable demands to be met. It is significant, however, that while traditional crime has reduced, other more resource intensive areas have tended to expand. This pattern is expected to continue.
- **New major savings opportunities:** extensive investigation has been undertaken by the Service and through Silver Group, concentrating on the three key areas of Procurement, ICT, and Collaboration. All three areas remain as works in progress. Fairly firm figures have been produced for Procurement and ICT, but in both cases there are unresolved questions about the savings which have already been achieved and the feasibility of applying the overall conclusions across all 43 Forces. The other major uncertainty is the degree of overlap between the savings categories themselves and the modelling assumption about staff turnover ( to



illustrate this, one of the main benefits of ICT improvements is the potential to reduce staff costs; if the central assumption in the modelling assumes 50% of turnover is not replaced, there is a high risk of double counting if both categories of 'savings' are taken on board)

The risks of double counting are even greater with Collaboration. Business cases for mergers and other forms of collaboration will quote total savings potential, but the majority of the cash savings will tend to be in the areas of staffing, ICT, and to a lesser extent procurement.

- **Real increases in the funding raised locally from Council Tax:** the existing mechanisms mean that apart from the impact of new building on the Council Tax base, tax levels are effectively under the Government's control, and restricted to annual increases broadly in line with inflation. This is considered further in section 26 below.

24. Further analysis is being undertaken on potential savings options which should strengthen the modelling conclusions. It will be reported to Home Office over the autumn. This submission presents the position as it stands in early August 2015. At this stage, however, it should be recorded that the indications are that the assumptions underpinning the model are more likely to be understating the funding gaps rather than overstating them.

### Implications of varying the key assumptions

25. The most influential individual variable is obviously the **grant funding** assumption. A variation of 1% pa over the next four years compounds to over £300m pa by 2019/20. Prior to the Chancellor's July statements, most PCCs were basing their planning guidelines on assumed reductions of between 3.5% and 5% a year over the period 2016/17 to 2019/20. This is lower than the reductions implied by the 25% option in the CSR15 guidelines, so local financial plans will need to be restructured even at the lower end of the Government's new range.

26. Increasing the local **Council Tax** element is an option for maintaining services, or phasing in the reduction in grants. In cash terms, the cost to local taxpayers of the Police element of Council Tax ranges from around £2.50 to £4 per week. The scope to use additional Council Tax proceeds to fund Policing will be affected by the Government's approach to maintaining legacy grant funding in relation to previous Council Tax freezes, but making the simplistic assumption that additional increases would apply to the total current proceeds, the implications are as follows:



- A 1% increase in Council Tax income generates approximately £35m across the service.
- An increase of 5% pa for the next four years would generate around £390m more by 2019/20 than the current assumed trends of 2.6% to 2.9% per year
- At an annual increase of 7% pa for four years, the additional funding in 2019/20 over and above the current assumption would be around £730m

### Policy implications arising from the potential additional funding reductions

27. Drawing on the modelling exemplifications undertaken so far, there are a number of significant policy implications for the Service.

- Even if uniformed staff reductions do not exceed the levels of natural turnover, the forecasts imply that **police officer numbers** will fall below 100,000 by 2019/20. This represents a further 17% reduction on an already reduced establishment
- Current natural turnover levels average between 4.5% and 5% a year, equivalent to around 5000 leavers, mainly through retirements. The implications are dependent on the scope to make CSR15 cuts in areas outside police officer establishments, but there is a high risk that for some Forces, the **capacity available through natural wastage** will be insufficient. There is scope to offer voluntary redundancy, but this will be at the expense of severance packages. Many PCCs are holding reserves as a provision for the cost of change programmes, and this will include voluntary redundancy. At present there are statutory limitations on the ability to use compulsory redundancy as an option, although even if powers were available, it will again involve implementation costs.
- It is easy to be misled by the simple arithmetic. The crucial issue is not how fast the establishment can be reduced; it is the **implications for reliability and quality of service** which can be provided by reduced establishments
- Taking all this into account, over the next five years the Service will need to reassess its role, and the **expectations from communities and partners**. Maintaining present expectations - which have not materially changed over the CSR10 years - may not be affordable within the future resource levels
- This is significantly more likely at the upper ends of the range. For the average PCC, a 40% reduction in grant represents a reduction in total funding of around 30%. Coming on top of the CSR real reductions, it is unrealistic to assume that things can carry on unchanged. There are undoubtedly opportunities for **delivering services in different ways**, but

those discussions need to take place between the Service and Government at an early stage.

- It is vital also to **engage with the public and with partners**. The Service has met expectations since 2010 with reduced resources, and this may have generated a false sense of security. If the odds now are that service levels will not be sustainable at their current levels, it is important to consider **where expectations can be modified**, or if that is not feasible, how they can be maintained in other ways.
- Without the further assessments which the Service is now undertaking, it is not possible to be precise, but it is reasonable to assume that there is **increased risk of a decline in performance**; in other words a service will be maintained but it will not necessarily be at the levels previously expected in terms of response times, reliability, follow up etc. This dilemma faces all public services in the current environment, but it would be unrealistic not to take action to contain the risks and manage the potential consequences.
- There are already signs of **unavoidable actions which may compromise some of the beneficial changes from the past**. The best example is use of uniformed staff to undertake desk based roles. Civilianisation has been one of the success stories of the last 15 years. There are no restrictions on the use of both voluntary and compulsory severance for non uniformed staff, but the options available on uniformed staff are more restricted. If overall establishments need to be further reduced - and there is no realistic alternative - some Forces are already warning that they will have no option but to transfer Police officers back into support roles.
- The Service is currently facing even **higher demands as a direct result of the contraction in other services** such as Health and local Councils. That situation can only worsen. There are opportunities for greater alignment of roles and resources, but this may not be enough to maintain current levels

## **PART B (2) THE SIGNIFICANCE OF RESERVES IN THE OVERALL STRATEGY**

28. PCCs will be working with their Forces as outlined in the previous sections, to identify the scope for continuing current savings and capacity improvement programmes in areas such as:

- Procurement, particularly in the context of standardisation of specifications for commonly used items such as uniforms and basic equipment
- ICT, particularly opportunities for linking in to existing systems designed in other Forces, or pursuing joint developments rather than options which translate the present local processes into a computerised format.

- Productivity improvements achieved through more efficient mobilisation, support roles and processes which maximise front line availability
- Facilitating engagement with partner organisations to break down barriers, avoid duplication, and share resources.

29. At a more strategic level, PCCs will be using reserves as a financial tool to manage budgets over the next 5 years, and will be raising the game in terms of collaboration and joint working with other organisations in both formal and informal ways.

### Reserves forecasts

30. The latest returns show that total reserves at 31 March 2015 amounted to £2.1 billion. These reserves are allocated to specific uses, and the returns from Treasurers show that around 66% of the total reserves are earmarked for use in the next 4/5 years. Apart from the funds earmarked against capital and PFI, other elements of the current reserves are earmarked against normal budget risks and operational contingencies, and these elements cannot normally be reduced. The utilisation of the 'usable' reserves (categories (b) and (c) below) is well over 80%.

	<b>31<sup>st</sup> March 2015</b>	<b>% Split</b>	<b>31<sup>st</sup> March 2019</b>	<b>Change over 5 years</b>
	<b>£m</b>	<b>£m</b>		
(a) Reserves held to meet budgetary risks	391765	19%	361133	-8%
(b) Reserves held to support the medium term budget	670877	32%	137213	-80%
(c) Reserves held to facilitate change programmes	367344	18%	36618	-90%
(d) Reserves held pending future deficits on PFI contracts	81325	4%	66171	-19%
(e) Funds committed to future years' capital programmes	375199	18%	22021	-94%
(f) Other	202341	9%	82769	-59%
<b>TOTAL</b>	<b>2088851</b>		<b>705924</b>	<b>-66%</b>

31. The management of reserves is a vital part of local financial strategies. Reserves are a mechanism for converting annual budgets into medium term strategies. In practice the rigid annualised allocations of grant and Council Tax limits are at odds with the whole concept of medium term strategies. Faced with the level of change implied by CSR15, PCCs must have the maximum flexibility to phase plans across years rather than within the rigid 12

month periods imposed by the Government's way of working. Reserves management provides that facility. It is important not to view reserves as a snapshot at a point in time; they are only relevant in the context of a period extending over several years.

32. Reserves management is essentially about risk. Police Forces are big businesses, and any PCC who did not take into account the potential for things to change would be failing in his or her duty. The current experience of local planning on the basis of 5%pa grant reductions suddenly changing to a possibility of cuts at twice that level is a perfect illustration of the need to hold reserves.

33. Some of the other specific purposes for which PCCs maintain reserve levels include:

- Cover for unknown factors such as inflation
- Operational contingencies, which are even more important when Home Office rules on Special Grant are tightening
- Cover against savings programmes delivering to longer timescales
- Cover against staff turnover delays
- Funding of capital programmes to reduce the need for borrowing
- Financing of invest to save schemes, which can be either revenue or capital based
- Change management, including funding of severance schemes which facilitate staff reductions
- Provision set aside for anticipated future commitments on PFI schemes
- Funds held by PCCs on behalf of partners in relation to schemes such as camera partnerships or the hosting of national or regional bodies

34. Examples of current reserves strategies:

***Durham*** has utilised or earmarked reserves in the following ways:

- *£7m has been applied to reduce pensions deficits, producing an annual revenue saving of £0.75m per year*
- *£2.8m has been applied to fully depreciate midlife assets, generating an annual saving of £0.2m per year*
- *Plans were made to use £1.6m of reserves to fund voluntary severance payments to police officers which would then save up to £3.6m over 7 years (in the event, another revenue saving was used to fund this plan, but the option remains for the next round of spending reductions)*

***Nottinghamshire*** has drawn up plans for using reserves to manage the medium term financial strategy. The case study set out below describes the risks and limitations, and the implications for other aspects of the financial process

*The PCC held usable reserves of £14.5m at the end of 2014/15. Using current assumptions on grant and Council tax trends, it may be necessary to use all but £1m of these reserves by 2019/20 to meet estimated shortfalls between budgetary requirements and realisable savings plans.*

<b>Useable Reserves</b>	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Opening Balance	14.5	12.9	9.7	7.3	3.7
Planned use of	(1.6)				
Savings shortfall		(3.2)	(2.4)	(3.6)	(2.7)
<b>Closing Balance</b>	<b>12.9</b>	<b>9.7</b>	<b>7.3</b>	<b>3.7</b>	<b>1.0</b>

*Each year it is becoming more difficult to achieve the savings target. A shortfall of £2.2m in 2014/15 needed to be covered by reserves, and a further shortfall of £1.6m is predicted for 2015/16. Use of reserves to fund current spending - as opposed to one off commitments - is not a sustainable strategy.*

*Additionally, Nottinghamshire is one of many areas which has under borrowed over the last few years by using the cash held in reserves to fund the capital programme. This reduces revenue budget costs, while the lost interest on cash balances is minimal. If the reserves are needed to support change programmes, it will mean taking up the loans to fund past capital spending, which will increase annual revenue budget requirements. There are strict limits **on total borrowing, and if the internal investment in capital spending has to be reversed, it could mean restrictions on future capital spending funded by borrowing.***

*In addition to these funds, Nottinghamshire also maintains a risk assessed general fund reserve of £7m. The PCC's policy is that this reserve should be maintained at 2-5% of the net revenue budget and only used for the specific risks identified (e.g. major unplanned Police operations or demonstrations).*

*Through prudent financial management and accelerating savings programmes, **Gwent** has been able to build up reserves to fund its significant capital programme over the next five years. This is an alternative to incurring borrowing costs, which would compound the already stretched revenue budget. Up to 2019/20, around £33m of reserves will be utilised to invest in a fit for purpose HQ to support the new operating model; and in ICT to support front line capacity*

***Thames Valley** is earmarking £8m over the next 5 years to part fund a long term ICT strategy jointly developed with Hampshire.*

**Kent** has also operated a policy to build up reserves for crucial investment spend rather than incur borrowing costs which add to revenue budget requirements.

Accelerating its savings programmes over the last few years has helped boost reserves for these purposes. Over the next 4 years, over £45m will be drawn down from reserves to support key priorities and particularly in relation to innovation and invest to save. Major proposals include a collaborative project with Essex to deliver a new ICT platform with a payback period of 3 years; a Force management system developed in conjunction with 6 other Forces; full roll out of body-worn video; extensive investment in tablets to improve front line availability; major restructuring of the operational estate in order to support the new Policing model; provision for Kent to meet its share of Innovation Fund bids over the next 4 years: and last but not least, a minimum of £6m to help smooth the management of savings over the next 4 years

**The utilisation of reserves to fund the cost of severance packages** has been referred to several times. Typical packages involve the equivalent of between 1.75 to 2 years salary. This is a significant marginal cost, but it generates two opportunities for longer term savings.

- If it results in a permanent reduction in establishment, the cost will be more than recovered within 2 years from salary savings and reduction in ancillary costs such as training, equipment and employers costs for pensions and other benefits
- Even if the post is replaced, the likely outcome is that an officer at the top of the scale (costing up to £54k annually) will be replaced by an officer at the bottom of the scale (with a typical annual cost of around £29k). There is an added benefit in this scenario that the age profile of the service would also be improved, to offset one of the adverse impacts of the recent slowdown in recruitment.

The ability to carry out strategies such as this relies on the availability of reserves to initiate the process, and the capacity for individual PCCs to operate this policy will obviously vary considerably across the service.

## **PART C: BALANCING CONTINUITY AND CHANGE - THE CURRENT ENVIRONMENT**

35. The environment for public services and Policing in particular is constantly shifting. Commissioners have a unique perspective on the pressures and the solutions.

- PCCs have many examples of where they have already made a difference through effective use of scarce resources, but the opportunities for easily deliverable cash savings are reducing. In this situation they need early



assurances about future resource levels if they are to continue to have a positive impact on changing local environments

- The spending cuts since 2010 have already increased local risks and created pressures which have impacted adversely on communities. The collaborative relationship between Policing and its partners has also been reshaped by the reduction in funding for both Police and those other services
- There are already many examples of where partners are withdrawing or threatening to withdraw funding from joint arrangements such as PCSOs and CCTV due to cuts in their own funding
- In other cases the withdrawal of support relates to officer or organisational support as opposed to funding; in times of restraint, many organisations tend to focus inwards.
- Non-crime demands continue to expand. Police resources are often still measured against crime trends. The service has always undertaken a much wider range of duties. Merseyside's experience summarised below is a typical picture:
  - *HSE investigations*
  - *MAPPA commitments*
  - *Road traffic incidents*
  - *Missing persons and concerns for safety*
  - *Section 136 places of safety*
  - *Animal safety*
  - *False alarms*
  - *'suspicious incidents'*
  - *Parking disputes*
  - *Vulnerable individuals*
  - *Stray dogs*
  - *Neighbour disputes*
  - *Child Protection Orders*
  - *Community meetings, surgeries and events*
  - *Schools liaison*
- PCCs can point to many positive statements from partners such as local Councils, the CJS, other public services, and local businesses about the value of an effective Police Service, and the contribution that local Policing can make to the environment within which other sectors carry out their own functions
- Vital Crime reduction initiatives are increasingly at risk
- It will also be more difficult to maintain confidence and assurance within communities about safety and the level of Police presence and response



- Continuing local commitment to 'Prevent' strategies could be at risk in the future; the impact of weakening this commitment may not be fully apparent for a few years, but it could be storing up major problems in the longer term. If continuity is broken, it could take many years to re-establish.
- Forces have already withdrawn or curtailed some Policing and community activities, and this risk will increase. As observed earlier, it is often the case that the non crime activities of PCCs and Forces have a community benefit far in excess of their resource or monetary value. As part of the same evaluation referred to above, Merseyside has identified just some of the visible consequences of the CSR10 cuts:
  - *Weakening of geographical coverage*
  - *Thinning of Neighbourhood management arrangements*
  - *Threats to long term funding of PCSOs*
  - *Longer attendance times*
  - *Trialling of new approaches to managing incidents, including policies on attendance, desk based primary investigation, and restricting the level of secondary follow up*
  - *Reduced community presence as facilities are closed down*
  - *Contraction in availability of specialist operational support functions*
  - *Reduced input to local partnership arrangements*
- Some PCCs and Forces have had no option but to reduce Police presence in some communities at certain times of the day, or to accept less than 100% response, particularly at peak periods. Strategies such as this can seriously and dangerously undermine respect for law and order. The result could be that criminals feel safer, while communities feel less safe.
- There are already many examples of reluctant but unavoidable abstractions from Neighbourhood Policing in order to maintain core response functions. The impact at local level is multiplied when it occurs at the same time as a contraction in other local public services
- New demands and national guidelines such as CSE, domestic violence, trafficking, cyber crime, and the reopening of historic cases, are simply adding to the overall demand pressures, and increasing the impact on existing functions
- There are regular reports of where grassroots intelligence has helped avert local or national incidents by providing early warnings to the authorities. Some of this results from the activities of specialist and undercover units, but it also involves local neighbourhood resources. Both aspects of the Service are now at increasing risk.
- Local Police services are experiencing an expanding commitment to the safeguarding of children, and other vulnerable or injured individuals. This

is partly due to lack of resources and/or revised approaches to risk assessment in other public services, including cuts in out-of-hours provision. This often leaves the Police isolated as the only 24/7 response. Again this represents a growing area of demand, and an increasing risk that the limited Policing resources are committed for long periods to such incidents and as a consequence are unable to respond to crimes or calls for assistance.

- It is a similar case with some antisocial behaviour incidents which result from lack of response by other public services or an inability to sustain functions such as CCTV coverage
- There are already examples of where incidents have escalated, or failures have occurred, which could be at least partly attributed to reduced resources, or the implications of being expected to cover gaps in other public services. The contraction in available Policing resources has not been accompanied by any reduction in people's or partners' expectations. This risk will increase as long as the culture remains unchanged.

### **Seven core themes for the future based on responding to the current environment**

- **What sort of Police Service does the nation want?** PCCs are in a position to work with Chief Constables, partners and the public to balance services with the available amount of resources, but if this means changes from the current pattern, clear policy guidelines need to be developed from the outset
- **Maximising capacity** is a vital objective, but the more important factor is how the service collectively uses its capacity to best effect. Commissioners can only achieve success through working with partners, and equally those partners rely on the existence of an effective and supportive Policing service. Alignment of objectives across the public sector, and clarity for everyone around the range and quality of public services which are affordable, must be an early aspiration.
- **Patterns of crime and Police workload** have changed dramatically over the last 10 years, and are expected to do so again over the next 10. Priority must be given not only to the absolute amount of capacity available, but to the personal and technical skills of officers and support staff, and the expertise available to draw on where those skills need to come from outside the Service.
- The **needs of communities and individuals**, particularly vulnerable or minority groups, will remain the primary focus of PCCs. There is growing concern that future cuts in funding will undermine the essential 'Prevent' roles of Policing. These roles are conventionally considered in relation to

counter terrorism or serious crime, but they have relevance right across the spectrum of policing and community safety. Gaps which are allowed to grow now may not be immediately apparent in the near future, but they could seriously weaken communities in the longer term

- Weaknesses which are allowed to develop, or which increase the **risk of reduced assurance and confidence** in Policing, could take a long time to recover.
- ‘Policing’ is a single public service but there are wide **variations in the needs of different areas and communities**. Some of the variations are typified by the distinctions between predominantly urban or rural areas, but that distinction can often be too simplistic. Variations between specific parts of a single Force area can often disguise the extent of the problem when they are averaged out across the whole area. The 43 individuals holding the roles of Commissioners must have flexibility within national strategies to develop solutions which respond quickly and effectively to local needs and local opportunities
- **‘Resilience’** in a service such as Police is hard to define, and even harder to measure. Again the picture will vary in every individual area, and many of the factors which combine to affect resilience are outside Commissioners’ control. Silver Group’s work has confirmed that concerns are starting to emerge, but everyone recognises that there is no objective set of criteria which can be applied universally. However, even if the shifts are almost imperceptible now, it is important that a momentum is not allowed to build.

## **PART D: MAXIMISING THE CONTRIBUTION FROM COLLABORATION AND INNOVATION**

36. Collaboration arrangements offer the prospect of two benefits. Firstly cost savings from economies of scale and removal of duplication; secondly improved outcomes. Collaboration takes many forms. A selection of current and recent examples is set out below:

*Greater Manchester has entered into a collaboration with Health and other local agencies to address some of the pressures arising from the increasing commitment of Police time on dealing with calls relating to vulnerable people with mental health problems. A Concordat was agreed in 2015 which clarifies expectations from all agencies, supported by central coordination arrangements. The voluntary sector has been incorporated in the scheme.*

*Benefits accrued include release of Police Officer time, reduced resort to use of custody suites to protect vulnerable people, and better quality medical support available at an earlier stage.*

*Street triage schemes to coordinate Police and Mental Health responses have been established also in **Cleveland, Essex, and Staffordshire** amongst others.*

*The **Warwickshire/West Mercia** Strategic Alliance is estimated to have released over £35m of savings towards the CSR targets of these two Forces. Other alliances are being developed including **South Yorkshire/Humberside**.*

*In **North Yorkshire**, local co-location schemes with the Fire Service will save £167k, and a scheme to share the development of new HQ facilities will obviate the need for a £10m investment by the PCC.*

*Again in **Greater Manchester** working agreements with the Fire and Rescue Service have led to the conversion of a Fire station in Tameside for use by Police, Fire and Council teams; conversion of another Fire station in Salford as a joint Police/Fire/Ambulance facility which also includes community facilities; and co responding arrangements involving the three emergency services (which will have a cost-benefit payback of only two years.)*

## Funding of local innovation

37. PCCs are working with Forces to implement a wide range of initiatives which will bring financial benefits alongside improved levels of performance. There is often the opportunity to combine several different strategies such as ICT, shared facilities, combined back offices and formal external collaboration. The example from Cambridgeshire is typical.

*Savings of £13.3m were achieved between 2012/13 and 2014/15 arising from joint arrangements between **Cambridgeshire, Hertfordshire and Bedfordshire** which created opportunities for centralisation of support functions, restructuring of ranks and management, and combination of specialist functions (in this case Protective services). Future phases will focus on ICT (bringing together 27 different databases, which on its own is predicted to save 101 minutes per officer shift)*

*Using the devolved funding for victims, the **Kent** PCC developed a customised new service which reflected feedback from local agencies and victims. Existing arrangements typically involved several agencies, but the support was not always coordinated. This vision, supported by the devolved funding, led to the establishment of a partnership between the charity Victim Support and the Force's own Witness Care Unit, creating a one stop shop located centrally within the Force area. The site also provides facilities for the voluntary sector. The new service allows an extra 14000 (35%) of victims to be supported compared to the previous arrangement.*

## PART E: RESILIENCE OF CURRENT SERVICES

### The Police Service of 2015

38. There has been a 15% cash reduction in the grant funding for Policing between 2010/11 and 2015/16. The reduction in real terms is well over 20%. The reduction has been offset marginally by annual increases in the rate of Council Tax and the Council Tax base. The Government effectively controls the total cash available locally, and in the current year it is around 10% less than it was at the start of CSR10.
39. It is a fact that this reduced funding has been broadly matched by the reduction in total crime over the same period. Further research is needed in this area, to establish the factors behind this. It may reflect more effective Policing directly encouraged by the CSR10 efficiencies; it may be the result of other initiatives outside Policing; it may have happened anyway; or it may be a welcome coincidence of trends. The important factor is what it might tell PCCs and Forces about the next stage. There is powerful evidence that crime patterns have changed over the same period. The reduction in total crime has been driven by falls in traditional volume crime, but it has been accompanied by increases in areas such as CSE, counter terrorism, and cyber fraud. Some commentators predict a turnaround in the downward trend in general crime. If this happens while the more resource intensive crime areas continue to expand, and funding cuts are imposed over the same period, the service could be facing an unwelcome coincidence of trends in the next five years. It is an uncertain environment, and it carries with it some significant risks for Government, PCCs and Forces. The APCC believes that the trends must be closely monitored, and contingency plans prepared.
40. The position varies between Forces, but since 2010 Police officer establishments have reduced by 15800 (11%), and staff posts by 15500 (19.5%). The data shows the reduction in Police officer posts levelling out recently, but it is by no means certain that savings in other parts of the budget can be identified which will avoid further reductions in Police numbers.
41. Most of the debate about the implications of CSR 15 focuses at whole-service level. While this is useful strategically, the local implications will vary significantly from the average. The characteristics of individual areas vary significantly.

*Grants as % of total funding range from under 50% to over 80%*

*Spending per 1000 population head varies from £150 a year to over £230*

*Band D Council Tax ranges from around £90 to nearly £220 per year*

*Outside London, population per Police officer ranges from around 350 to over 650*

Current proposals being floated separately to change the formula arrangements for Police grant funding could affect the allocations to individual PCCs, and it is inevitable that some areas will face a double adverse impact from CSR and formula changes. Conversely of course, the formula proposals will benefit other areas.

## Measures of sustainability

42. Long term sustainability of services is a concern across the public sector. Papers were submitted to Silver Group in the early discussions, and subsequently both HMIC and NAO have offered guidance and criteria which may be used to provide an informed view at Force level. While objective measures of resilience can be articulated in this way, in practice the line between a sustainable organisation and one which is under threat is very imprecise. Comparisons of spending per head or officers per 1000 population can only provide an initial benchmark. The real impact and risks will depend on the features of the demands that the Force has to face, and traditional levels of 'expectations' in that area. Less tangible measures such as local culture, management style, leadership and job satisfaction probably have a greater influence than is realised. A Force which meets all the criteria for risk may survive simply because of its local culture, or the supportive nature of the population it serves. Conversely, an apparently resilient organisation may be hit by a combination of events and circumstances which unexpectedly or temporarily unbalances it.
43. Much is about perceptions. Unless a Force reached a position where it could not afford to employ officers or pay its obligations, which is so unlikely as to be irrelevant, there is minimal risk of individual collapse. The more likely - but nevertheless dangerous - scenario is that local perceptions of performance in the community, partners, and the media take on a negative tone and lead to a downward spiral.
44. PCCs are in a perfect position to monitor the shifting mood in the Force and the community in their area. The Service needs to build on the work of HMIC and NAO, both of whom advocated a scorecard type approach. This provides for a wide range of indicators, both measurable and non measurable, which together paint an informative picture. Ultimately, however, it comes down to subjective judgements about where a particular force is placed, and the direction and speed of travel.

The most important factor is for Government and the Service to recognise the possibility and the risks, and to have in place contingency plans for if and when pressures intensify. This could be managed centrally, regionally or by more locally agreed arrangements. It could operate on a service led basis, with Home Office holding the long stop contingencies if risks move beyond the tipping point.



## **.PART F: SOCIAL AND ECONOMIC BENEFITS OF EFFECTIVE POLICING**

45. Reference was made earlier to the role of the Police service in maintaining law and order. As long as the population respects those principles, it enables many other things to happen. Without confidence in law and order, communities would be undermined, or individual groups within communities might seek to take the law into their own hands. One effect of the anticipated reduction in public funding over the next 5 years is that communities, voluntary bodies, charities and individuals may assume wider roles in supporting local areas and vulnerable groups living within them. It is impossible to put a value on safety and assurance, although factual evidence on the variation in household and vehicle insurance premiums may assist in developing proxy measures.
46. Strong and safe communities help other public services to carry out their roles successfully. Most social and protective services depend directly or indirectly on an effective Police presence. It operates directly where Police officers or PCCs participate in a project, and the culture of the service helps make things happen. It also operates indirectly in the sense that the Police service helps protect an environment within which other public services can achieve more.
47. There has been some research undertaken in this country and the USA on the social value of public services, and on putting economic values against different police options. In Manchester, New Economy is working with local authorities including the PCC to develop modern approaches to cost benefit analysis, and Nuffield College Oxford is working with CIPFA on resource allocation techniques in Policing. Knowledge will improve over time, but in terms of CSR15, the vital point is to recognise the wider impact of effective and responsive Policing for communities and other public services.
48. The role of Policing in supporting economic development is also significant. This operates at two levels.
- There are strong working relationships between the Police service and businesses at both national and local level. These involve advice on crime prevention, support for local area crime monitoring schemes and databases, and sharing of CCTV and ANPR data. At a higher level collaboration takes place on specific programmes such as agricultural crime, and measures to combat internet based crime. Much of this activity also involves close working with the insurance industry. There are many examples where local businesses provide financial support or facilities for Policing. Major retail sites such as Meadowhall in Sheffield fund vehicles for Police use on the site. The CBI has funded the cost of seconded officers from within the service to work on national and international business based crime prevention strategies. Initiatives such as this operate through bodies such as the National Business Forum.



- There is evidence that a safe and crime free community attracts businesses to locate or expand in specific areas. It also acts as an encouragement to skilled staff to relocate in an area
49. There is both anecdotal and survey based evidence to support these influences.

*There was local evidence in South London that for a period after the **Croydon** riots, businesses were less confident in relocating in that area*

*Studies by the **Welsh Office** confirmed the significance of safe societies in business location decisions*

*In **Greater Manchester** a recent survey of 2500 businesses revealed that one in three were dissatisfied with levels of crime or ASB in their areas. Nearly 6% of businesses considering relocation indicated that crime and ASB was their primary reason.*

*One of the aims of the 'Lowestoft rising' project, involving the PCC and other local public sector bodies in **Suffolk**, is to create a virtuous circle of economic growth and lower crime*

50. The model developed between the Police service and the business sector is a prime example of how the Police's role in maintaining a safe society is strengthened when it is not delivered in isolation. The expertise of the Police, and their ultimate power to uphold the law, can be utilised to good effect in helping businesses manage their organisations. At the same time, the resources, parallel skills and knowledge that is held by businesses can be marshalled in a way that means they are self managing large elements of the solution, but with the security of knowing that the Police remain available to step in when necessary, or when it becomes a criminal matter.

## **PART G: THE LONGER TERM SCENARIO FOR PUBLIC SERVICES AND POLICING**

51. A recent workshop run by the University of Birmingham, the College of Policing and CIPFA, involving representatives from across the Police service and other parts of the public sector, took a 10-15 year view of the environment. It then considered the implications for Policing and community safety, and the actions that need to be considered over the next five years to ensure that the service is as prepared as possible. While the requirements of CSR15 will inevitably tend to focus attention on the immediate future, raising awareness of potential longer term changes will help inform the shorter term plans.

52. Some of the more significant implications identified in the workshop are summarised below:

- *Debates change their focus over time. 20 years ago the perceived threat was communism. Now it is extremism. What will it be in 2020 or 2025?*
- *Increasingly issues are both global and local ( CSE being a prime example)*
- *The standards of each generation set the tone. Current generations have different attitudes to 24/7 activity, work-life balance, and ICT. Public services need to converse in the same language.*
- *There are interconnections between public policies ; for example religion and equality are concepts which flow through many social strategies*
- *Wider use of technology and faster communication increases the risk of misinformation and fraud*
- *When religion and family structures are reducing their influence, where will society's moral compass come from in future?*
- *The 'norm' in terms of society's view on acceptable behaviour also shifts over time*
- *International studies point to substantially greater urbanisation, major population expansion in specific parts of the world such as mid Africa, and much faster connectivity through travel and electronic means*
- *The speed of developments in encryption and passive surveillance could put the authorities ahead of the criminals.....or chasing to catch up*
- *Communities are increasingly internet based. Some sections of society exist on line*
- *Individuals may adopt different identities, some of which only exist on line*
- *The UK is likely to continue to increase in diversity. To what extent will communities integrate in future?*
- *The short term direction for public services may result in a bigger role for private sector bodies within the public sector*
- *Can services such as Police sustain the level of dependency from the community and other parts of the public sector?*

53. Further analysis of the trends and the implications is required, but there are already clear some indications of where the Police service needs to invest in the short term in improving its state of long term awareness. These include:

- Training and skills planning
- Expanding ICT skills, either within the service or procured from outside
- Closer alignment with other public and voluntary sector services, who will supply the necessary social support and relationship skills
- Better cross sector approaches to public sector strategies
- Investing more positively in prevention
- Developing ways of utilising and strengthening the capacity of voluntary bodies and volunteers

## **PART H: ACTION BY THE SERVICE AND THE GOVERNMENT TO MITIGATE THE RISKS**

54. Unless the Service receives protection within the CSR plans, Commissioners will at best face a further 25% real terms reduction in grant funding between now and 2019/20. The consequences of that for continuity of services have been described in this submission. Commissioners continue to work with Forces and a wide range of other partners to improve effectiveness and reduce costs, although a significant proportion of the benefits do not translate directly into cash savings.
55. The CSR10 period was at the time describe as an ‘unprecedented’ challenge for public services. The period of reconfiguring public spending allocations was originally expected to have completed by the middle of this decade. The changed national circumstances now mean that not only will the downward trajectory be maintained for a further 5 years, but possibly at an accelerated rate.
56. This completely changes the planning environment for PCCs and Forces. Within the present structure of Police roles and funding, Commissioners have limited room for manoeuvre, and this could constrain some of the options which might enable the anticipated reductions to be managed with less risk to continuity of services and more flexibility to react to quickly changing circumstances. Commissioners have identified a list of proposals which would improve flexibility. One of the principal objectives of this submission is to seek an early dialogue with Home Office and/or Treasury on the potential availability of these flexibilities. All members of the tripartite have a commitment to quality public services. With a shared approach to planning and fine tuning the system there is an opportunity to shift the odds in favour of a measured approach to the changes
- **Measures to introduce more flexibility into local funding decisions**
    - Local freedom on Council Tax increases, either by relaxing the annual limits or by allowing for 3 year strategies (which would for example have allowed PCCs to have used reserves in the last few years to hold down Council Tax temporarily, while allowing them the freedom to reinstate the Tax level in subsequent years)
    - Firm 3 year grant settlements, to reduce short term budget risks
    - Earlier announcements of funding levels, to enable proper levels of consultation to take place locally with the public, the Police and Crime Panel, and partners

- **Ensuring that Police and Crime services are compensated for expansion of local infrastructure:** The benefit of increases in the Council Tax base already flows through to PCCs. However, further consideration needs to be given to the policing implications of major local developments - both residential and commercial - and how Policing budgets should be compensated for the increase in demands. This could include revisiting ways in which the service benefits from growth in Business Rates.
- **A more flexible approach to income generation,** with particular reference to the ability to make charges based on full economic cost guidelines where Policing services are supplied to commercial organisations
- **A revised approach to innovation funding,** involving less bureaucracy for PCCs, Forces and Home Office. A new arrangement might also provide for investment in nationally managed resources, possibly hosted by APCC, NPCC or the College which would undertake research or develop solutions which the whole of the Service could then draw on. If the present arrangement is retained, it is essential that announcements are made much earlier so that PCCs and Forces can plan effectively.
- Action within the CSR15 settlement which will **break down barriers and promote more effective cross sector approaches.** The national guidelines continue to encourage silo management and discourage innovation and risk taking. A greater focus on public policy outcomes, backed up by Government support for cross sector integration and sharing of ideas would raise the game locally and provide new opportunities for PCCs to build on current initiatives.
- **Action to build capacity,** including research on measures to enhance productivity, and making optimum use of operational support roles such as Specials.
- **Protection of current targeted funding streams:** although relatively minor in total, present grant funding for community safety and victim support generates disproportionate levels of benefits. These existing funding streams should be protected and if possible expanded, drawing on resources from other sectors where PCC-led initiatives involve solutions which cut across the boundaries
- **Relating better to young people:** support from Government for getting the messages out to the younger generations who will shape demands in the future
- **Communicating with communities and partners:** PCCs have an interest in engaging with communities and partners about the future needs of society, the best ways of achieving them, and the need for change. This

would introduce a more positive slant to the debate on austerity, and at the same time be helpful way of getting the message across about the inevitable need for change and the importance of the public and partners being part of the process

- **Voluntary sector and volunteer input:** Financial and other types of support from the Government for the voluntary sector and individual volunteers may be a cost effective way of building longer term capacity to offset part of the reduction in mainstream funding. PCCs will take forward the process locally, but initial stimulus from the centre would create a momentum.
- **European funding:** the service has secured funding from Europe for crime or community linked programmes, but the expertise at local level is limited. A more concerted strategy, led from the centre, could increase the chances of success. This would be focused on creating the necessary funding streams in the first place, and helping PCCs and Forces maximise the strength of their bids..
- **Limitations on flexibility arising from financial rules and regulations:** PCCs wish to engage with government on aspects of the current statutory arrangements relating for instance to powers and employment conditions, where there are opportunities to introduce greater flexibility for the future.
- **Availability of statutory powers of competence:** Schedule 1 of the Police Reform and Social Responsibility Act 2011 gives Commissioners the power to do anything which is 'calculated to facilitate, or is conducive or incidental to, the exercise of the functions of commissioner'. While this is valuable in encompassing anything related to community safety, crime and disorder and victims, it is a somewhat narrower power than the 'General Competence' available to Local Authorities. If the slightly wider powers were available to PCCs, it would aid plans for co-commissioning, joint working, and provide more flexibility to achieve shared outcomes with limited means.
- A positive commitment from Government to involve PCCs and Forces fully in the design and implementation of **new arrangements for funding the service.**
- **Reserves management:** early engagement on strategies for reserves is also a priority for PCCs. As this submission has pointed out, existing financial strategies already build in the use of reserves, and PCCs are concerned that a reaction to apparently high headline sums of reserves could in practice create even bigger risks to financial stability and overall resilience. Ministers are encouraged to make reference to the recent independent reports from CIPFA on this subject, which have been discussed with Treasury.

## ANNEX: FINANCIAL MODELLING (preliminary assessments July/August 2015)

The tables below summarise the results of the initial financial modelling. They are a snapshot in time in the sense that the assumptions are being continuously refined in discussion between PCCs, Forces and Home Office. Further iterations will be produced over the next few months. Modelling will only provide indicative results. Even with a limited number of variables, the number of combinations over 5 years is almost infinite. The shortfalls and surpluses referred to below use standard assumptions on inflation, real cost increases, Council Tax and other income. The modelling then uses three levels of assumptions on the real reduction in grant, and a separate three levels of assumed replacement of staff turnover.

In the main body of the report, the dialogue focuses on just one hypothetical combination of options - a 7%pa grant reduction alongside a 50% replacement of turnover and separate provision for savings on procurement, ICT, and collaboration. It also builds in actual planned use of reserves.

To put the results in context, the forecast funding gaps predicted by the model below (£752m rising to £1127m, both excluding use of reserves) are after assuming annual reductions in staff levels amounting to 2.25% on police officers and 3% on other staff, and savings on non staff costs of £120m rising to over £400m.

<b><u>Shortfall / (Surplus)</u></b>				
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>

<b>5.2% pa grant reduction</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Scenario 1	Replace all leavers/no savings	1054	1335	1595	1834
Scenario 2	Nil replacement of leavers/no savings	405	377	342	298
Scenario 3	50% replacement of leavers/no savings	726	846	948	1033
Scenario 4	Nil replacement/provision for savings	285	172	57	(92)
Scenario 5	50% replacement/provision for savings	606	641	663	643



<b>7.0% p.a. grant reduction</b>		<b>£m</b>			
Scenario 1	As above	1200	1609	1981	2318
Scenario 2	As above	551	652	729	782
Scenario 3	As above	872	1120	1335	1517
Scenario 4	As above	431	447	444	392
Scenario 5	As above	752	915	1050	1127

<b>10.3% p.a. grant reduction</b>		<b>£m</b>			
Scenario 1	As above	1468	2098	2652	3135
Scenario 2	As above	819	1141	1399	1599
Scenario 3	As above	1140	1610	2006	2334
Scenario 4	As above	699	936	1114	1209
Scenario 5	As above	1020	1404	1721	1944