



Financial Sustainability Plan 2017/18 to 2020/21

1. Purpose/Introduction

- 1.1 The Force has agreed a balanced Long Term Financial Plan (LTFP) and sustainable scalable policing model for the next four years. The LTFP is based on a series of assumptions, informed by the planned work of corporate development services about the future shape and function of the organisation, consequently it is prudent to examine some of the those key assumptions and plan for any adverse scenarios. This will provide a blend of options that build resilience into the LTFP and provide flexibility in responding to any emerging pressures.
- 1.2 This approach is consistent with our strategic direction of 'Towards 2020' and stated policy of maintaining financial stability and protecting service provision through identifying sufficient savings to provide time and space to work up well considered savings plans for, what may be, more challenging future years.

2. Recommendations

It is recommended that:

- 2.1 Cost reduction measures that can deliver £3.0m of saving over the life time of the LTFP are identified.
- 2.2 Outline proposals to deliver the required savings (as detailed in annex A) are approved with individual business cases being submitted for final approved by the Towards 202 Board by October 2017.

3. Financial Strategy – in context

A stable financial position for the Force is a key enabler to help our communities become safer and stronger and for the Force to deliver its core priorities of prevention, protection and intervention. The LTFP supports longer term planning for sustainable service delivery and demonstrates that 'Towards 2020-Our Plan for the Future' and our operational plans are affordable.

The Force financial strategy is to maintain financial stability and protect service provision by providing time and space to work up well considered savings plans for more challenging future years. By doing this we will be able to provide a high degree of certainty to operational commanders about the resources at their disposal in the short to medium term

Following CSR2015, although the financial pressures have eased, the Force will continue to operate in a challenging fiscal climate and the need to develop and deliver savings plans for future years is of paramount importance, so that funding:

- Can be redirected to areas of highest need to ensure that the outcomes from available funding are optimised
- Is available to mitigate cost pressures outside of the organisation's control

3.1. LTFP 2017-2021

The Force has agreed a balanced Long Term Financial Plan and sustainable scalable policing model for the next four years. However, the LTFP represents a best estimate based on current assumptions about the future. These assumptions are assessed by the CFO to the PCC in his 'Robustness of Estimates and Adequacy of Financial Reserves Report.'

However, the LTFP is based on a series of assumptions, not predictions, consequently it is prudent to examine some of the key assumptions and plan for any adverse scenarios that may arise.

Key assumptions have been made in the following areas:

- Grant funding
- Precept yield
- Pay & price inflation
- Workforce & Demand
- Savings from corporate development activities

3.1.1 Grant Funding

Future grant funding could be impacted by a number of variables:

- Changes in the economic climate – Impact of Brexit etc
- The 2016 budget includes £3.5bn unspecified cuts
- Reductions in specific grants – ROCU and CT grants have both been reduced
- Increased future topslicing/reallocations – Arms length bodies, Transformation Fund etc
- Changes to the funding formula – although the illustrative model indicated that funding for Cleveland would grow at the margins the final model has not yet been agreed.

Each 1% change in core grant equates to £0.8m.

3.1.2 Precept Yield

The Government gave PCCs a very clear steer in relation to precept for the period to 2020 i.e. 'Taking into account the scope that you have to raise local council tax, this means a flat real settlement for policing as a whole.' The scope referred to is the referendum limit of 2.0% per annum.

This taken together with the strong growth in tax base and history of collection surpluses means that it is unlikely that there will be any external factors that will impact on the forecast level of precept income contained in the LTFP.

3.1.3 Pay & Price Inflation

Pay is the largest element of the cost base standing at 67% of total expenditure. The LTFP assumes that pay awards will be 1% from September each year. This is in line with Government proposals to limit average public sector pay awards to 1% per annum. However, there is a risk that national negotiations may not contain pay awards within this limit as was case for the Police Staff award in March 2015 that was for 2.2% over two years. Each 1% change in pay award equates to £0.5m in pay rises and contract inflation.

The LTFP provides for specific allocations of non-pay inflation in line with contractual arrangements or estimates and an unallocated provision of £0.2m. It is unlikely that significant inflationary pressures will arise outwith these assumptions.

3.1.4 Workforce & Demand

The paybill is the largest single element of the overall cost base at 68% of the budget¹. It should be recognised that there is no right or wrong workforce size or mix. For example, the workforce plan provides for 1,280 FTE warranted officers compared to our MSF average of 1,234 FTE. Through its programme of review, the Force is continually reshaping to deliver an effective blend of skill sets and experience to meet an ever-changing demand profile.

Consequently, although the LTFP is based on the Towards 2020 operating model as it currently stands, these are not absolute numbers for the workforce that we plan to have but indicative numbers as 'evidence based' planning assumptions based on the work undertaken by the corporate development unit.

4 Delivery of Savings from corporate development activities

The Force have successfully managed savings in respect of CSRs 2010 to 2015 by the reduced workforce required for the Orbis programme, the Towards 2020 operating models and the strategic partnership with Sopra Steria.

However, over the next 15 months a number of additional corporate development work streams will deliver further savings and these are critical enablers to maintaining the integrity of the LTFP;

- A series of rapid improvement 'deep dive' reviews
- Rationalisation of management structures
- Workforce modernisation
- Cessation of fixed term contracts
- Targeted reduction across non-pay lines

¹ Note: In 2010/11 the force entered a strategic partnership with Steria UK and 470 police staff posts were TUPE transferred, consequently the paybill represents a smaller proportion of overall expenditure than in other Forces.

- Delivery of the Estates Blueprint
- Fleet

4.1 Rapid improvement reviews - £1.9m

An average 10% reduction in staffing costs within those business areas not yet subjected to review would yield a saving of £1.9m. The average efficiency saving from a full service review is typically 25% and a recent desktop 'deep dive' of the PQR Team identified a potential saving of 15%. Therefore an average saving of 10% is a prudent planning assumption and will be used as a baseline savings target for all rapid improvement reviews of the following teams;

- Intelligence and analysis
- Business Transformation
- Performance, quality and review
- Corporate Communications
- Prisoner handling
- Economic cyber crime
- CDSOU
- Vetting, data protection and data quality
- Digital forensics
- Finance, fleet and procurement
- CDET, OSU and licencing
- Specialist operational support
- ICMT
- Human resources

4.2 Rationalisation of management structures - £0.25m

The savings target is based on a reduction in both junior and senior management positions across the Force structure. By way of example, a 10% reduction in senior police officer management posts of Chief Inspector and above rank (3 positions) would yield a saving of £257K and a 5% reduction across all management posts would yield a saving of £900K. The savings target of £250K is therefore a prudent savings target.

4.3 Workforce modernisation - £0.38m

The savings target is based upon the conversion of 15 DC posts to PSI roles and 10 enabling services police officer posts to police staff positions. The Force currently has over 200 constables in investigative roles and over 50 constables working within enabling services areas where police powers are not required. The savings target of £380K is therefore a prudent savings target.

4.4 Cessation of fixed term contracts - £0.07m

The Force has a number of fixed term roles (24) across a range of service areas to assist with time limited project work and short term variations in workload. The LFFP already includes the removal of 10 of these posts. The savings target is based on the deletion of an additional two roles. The savings target of £70K is therefore a prudent savings target.

4.4 Percentage reduction across non-pay lines - £0.2m

The Force budget for 2017/18 contains approximately £14m of non-pay related expenditure (excluding pensions, NPAS, collaborative units and outsourced contracts). The savings target is based upon a reduction in non-essential training (£50K) a review of mobex devices (£15K), contracted service savings (100K) and ancillary savings (£35K) across the wider non-pay budget lines.

4.5 Estates Blueprint - £70K

The estates Blueprint includes the planned closure of Thornaby, Saltburn and Loftus police offices in 2018/19 with expected revenue savings of £70K per annum and a one-off capital receipt of £595K.

4.6 Fleet – £80K

The introduction of vehicle key safes across the Force will enable greater flexibility in vehicle deployments and allow the Force to introduce vehicle 'pooling'. This will deliver the £80K savings target identified which comprises reductions in vehicle purchase, maintenance and repair costs.

The planning assumptions behind the above savings work streams provide confidence that the savings targets are achievable and are therefore assessed to be low risk to the viability of the LTFP.

5. Maintaining robust Cost Control and Value for Money

Given the continual impact of austerity, cost control and the delivery of value for money are critical deliverables over the next four years. To drive this, over the coming years both the CFO and ACO Corporate Services will be working with the Executive Team and Management Board to ensure that appropriate financial governance is maintained and the need to manage resources within the context of the LTFP assumptions is delivered.

However, our external auditor's review of value for money arrangements and internal audit's review of financial controls and financial planning assumptions give the Chief Constable positive assurance in this regard. Specifically the following controls are in place:

- The CFO reviews and reports on the overall Force budget monthly
- Monthly budget reviews are carried out in each Command
- Detailed forecast outturn reports are produced monthly.
- Experienced Finance staff work closely with the Commanders and Executive
- Appointments and postings are monitored against the funded establishment
- Market testing for the supply of goods and services is undertaken via the procurement process
- Budget management is incorporated into the newly promoted inspectors' induction and financial awareness included in the probationers curriculum.

6. Summary

The LFTP, supported by the corporate development work streams detailed in this document, collectively present a stable financial position for the Force over the next four years and therefore provide assurance that the strategic plan 'towards 2020' and our core priorities of prevention, protection and intervention are both affordable and achievable. However this sits within the context of continued austerity that will require the effective maintenance of tight financial controls.

This means that the development of new initiatives as an example; to manage future changes in demand, collaborative networking for specialist capabilities and increasing the effectiveness of local collaboration to strengthen our most disadvantaged communities will need to be delivered within the context of a balanced LFTP and be delivered at no additional cost; or be reliant upon the creation of savings to enable investment.

7. Implications

7.1 Finance

The recommendations included in the report are intended to increase the financial resilience of the Force and underpin delivery of the Long Term Financial Plan.

7.2 Diversity and Equal Opportunities

There are no diversity or equal opportunities implications arising from the content of this report.

7.3 Human Rights Act

There are no Human Rights Act implications arising from the content of this report.

7.4 Sustainability

The proposals in this report are intended to increase the financial resilience of the Force and underpin delivery of financial stability to ensure sustainable service delivery and demonstrate that 'Towards 2020-Our Plan for the Future' and our operational plans are affordable.

7.5 Risk

The LFTP is based on a series of assumptions, consequently it is prudent to examine some of the key assumptions and plan for any adverse scenarios.

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