

POLICE AND CRIME COMMISSIONER FOR LEICESTERSHIRE

CORPORATE GOVERNANCE BOARD

Report of	Chief Constable
Subject	Review of Medium-Term Financial Plan Budget Setting 2023/2024
Date	15/01/23
Author	Chief Constable Rob Nixon

1. Purpose of the Report

- To provide the Chief Officer Team and Police and Crime Commissioner Rupert Matthews (PCC) with operational advice to inform review of the budget.
- To reassert my commitment as Chief Constable to deliver a good service, focused on core policing and high standards, to the public.
- To reflect on the budget announcement as well as recapping the principles agreed during early budget setting discussions.
- To outline the areas of operational and organisational threat and risk identified through the business planning process.
- To provide a short recap of historical reductions in Police budget and provide an overview of how the total budget is allocated.
- To set out the areas requiring additional growth for investment and why.
- To set out ways we propose to close the budget gap.
- To make recommendations to the Commissioner about how he may support the force's budget process.

2. Principles used in the planning process

Operational need continues to be at the forefront of the budget-setting process and, despite a budget shortfall, the force remains committed to delivering the best possible service to the people of Leicester, Leicestershire and Rutland.

Whilst we would want to ensure all plans are as sustainable as possible over the entire period of the MTFP, this year, due to events outside of our control, we cannot make this assurance with absolute confidence.

We will however ensure that we meet the legal requirement to deliver a balanced budget for 2023/2024 and set out our approach for closing the gap and, where possible, outline the implications of doing so.

There is a need to use reserves, in our opinion. However, careful consideration is being applied to ensure the sustainability of those reserves in future. This paper recognises the limits of our reserves and that use of them will be for a time-limited period to support transformation.

Learning from previous change programmes, there is a need to apply a balanced approach to efficiencies. We will consider the national formula that was introduced during uplift and use this as a guide to ensure that, as the size of the force contracts to meet budgetary requirements, so does the size of infrastructure and equipment aligned to it.

On 15 December 2022, the Combined Design Board met to discuss and agree initial budget-planning assumptions. This early engagement was useful as it has aided the finance teams in the force and OPCC to model accordingly.

Below is an overview of what was agreed during those discussions:

- Plan for total budget
- Maintain Police officers at 2,242
- Plan for reductions in staff through vacancy management
- Seek to be sustainable for period of the MTFP
- General Reserve at 2.3% or ~£5m
- Keep Job Evaluation pay protection
- Retain plan for 2% pay inflation
- Increase some aspects of borrowing to release revenue
- Continue to meet accreditation costs
- Maximise income generation
- Use Section 106 allocations against priorities
- Promote greening of the estate to reduce costs

It is important to note that in March 2022 we had a sustainable budget for the entire period of the MTFP without use of reserves.

This was the healthiest position the force had been in for a decade. Since that time, significant events outside of the force's control have shifted that position.

Whilst the force is finalising the detailed budget report and MTFP, led by ACO Paul Dawkins, this paper will focus on the short-term impact for 2023/2024 and how we intend to respond.

Below is an illustration of the budget pressures which have materialised in-year which will leave us with a £5.8 million budget deficit for 2023/2024 (see budget report and medium-term financial plan).

Headline Budget Pressures

2023/2024	£m
Unfunded Pay awards	4.8
IT contractual inflation	1.5
Insurance	0.3
Utilities	1.4
Vehicle Fuel	0.4
Other (overtime etc.)	1.5
Total	<u>9.9</u>

We acknowledge that inflationary costs are being experienced across the private and public sector. Many organisations are looking to use reserves. It would be reasonable also for the force to use reserves in order to meet those costs in the short term.

An unfunded pay award in 2022/2023 is at the root of the budget deficit. Central government awarded a pay agreement to all officers and staff of £1,900 each. Half of the pay agreement for officers was covered by the central government grant. None of the police staff pay agreement was covered. The one-off addition was in place of a percentage increase to pay, which has been the norm in previous years and is more in line with pay review body recommendations. Proportionately this has benefited the lowest paid which is, of course, welcome, in the current climate but it has also drawn criticism about fairness from those in ranks and grades with greater responsibility.

For completeness, it should be said there are a significant number of people within the force who feel the arbitrary allocation of £1,900 was not in line with the pay review body's recommendations and it is seen as unjust.

You will also be aware of the focus on pay and recognition across NHS and other public sector organisations. During recent pay negotiations and disputes, the government has used a narrative of taking guidance from the Pay Review Board (PRB). This was not the case for Policing in 2022/2023. A lack of transparency, coupled with only awarding 50% of the officer award and nothing towards the staff award, has left forces in England and Wales with a significant funding shortfall and some officers feeling aggrieved.

Policing has seen an increase of 3% on average when, in real terms, due to unfunded pay awards and inflationary pressures, we have seen a 3.4% cut at a time of inflationary pressures in excess of 10%

This report is not the place to expand on the issues of morale and retention but the Chief Officer Team are keeping a very close eye on both.

The pay announcement has increased our expenditure by £6 million for 2023/2024.

The force had correctly modelled at 2 % in line with Home Office recommendations. When factoring in a 2% modelling and the 50% pay award for officers, this indirectly created a £4.8 million budget gap for 2023/2024 which will rise year-on-year over the period of the MTFP.

In response to the budget shortfall, the force will need to reduce in size and reconfigure over the next few years.

This is new and unexpected. However, for context, it is important to note the significant journey policing has been on during the past decade with regards to efficiencies and transformation.

There is a dated misconception that the public sector offers opportunities for savings, particularly in back office functions. This is not the case at Leicestershire Police, as the below demonstrates. Functions across the force have been repeatedly examined and reduced over the last decade. Any further reduction in staff will need to be considered very carefully and must be linked with demand, threat and risk. It will lead to de-prioritisation and some work potentially stopping. Where it is not possible to redirect or automate this work, it will impact on the service to the public.

3. Recap of the transformation journey

- £38 million-worth of savings has been taken out of Leicestershire Police since 2011. This was in spite of significant changes to the nature of crime, high levels of hidden harm, and the demands of a growing and increasingly diverse population.
- Reserves have been used carefully over many years to maintain operational capability. The level of reserves may now challenge that possibility in future.
- Maintaining an efficient back office has been at the heart of our approach. HMICFRS assessments comparing Leicestershire to other forces indicate we are one of the leanest.
- Leicestershire Police has always been viewed positively regarding financial management and change and transformation by HMICFRS and other forces.
- Between 2010 – 2015, budget reductions meant the force looked for savings and efficiencies in order to balance budgets. All departments were reviewed for quick-win opportunities. Savings were found through reducing waste and stopping non-core activities in order to focus on core activities. We rebuilt with expenses procedures, reducing police staff numbers and putting in vacancy control procedures.
- In 2013/2014, the quick-win options had been taken. The opportunity to adopt a ‘cheaper’ policing model arose with a centralisation model developed by West Midlands Police and implemented with KPMG.
- KPMG worked with Leicestershire to implement a centralised thematic policing model. The multi Basic Command Unit model was disbanded and significant

reductions occurred to leadership roles. Functional teams were centralised. Service levels altered to achieve an overall saving of just over £10m through reducing the number of officers through natural attrition.

- In 2015/2016, the force introduced zero-based budgeting and a star chamber approach to finding savings options. Each back office police staff area had to propose options to reduce costs. 90% of these related to staff reductions. This reduced staff numbers in nearly all back office areas and saved about £1m.
- Vacancy control was used to challenge the need for recruitment and reduce payroll spend. This slowed the pace of recruitment to reduce in-year salary spend but this did impact on the ability to deliver services and support frontline policing.
- In 2018, Operation Darwin responded to Operation Edison's failure (KPMG's centralised model) to meet the increasing demands on policing. It was at this point that demands on policing began to rise notably. Much of this was linked to cuts in public funding in other sectors, where the most vulnerable had fewer avenues for help and thus called on policing. Darwin re-modelling was based on available resources and placed an emphasis on greater geographic accountability. There was no additional resources and no savings, but it began to focus on public confidence and service.
- In 2020, we introduced Policing in Neighbourhoods, based on moving resources to the frontline and being even more local. We reintroduced a general duty officer approach with a modern update to include current and future policing needs. There was a small increase in officers from uplift and, at that time, precept growth.
- In 2021, our operating model was refined to deliver against the new Police and Crime Plan.

4. Operational and organisational threat and risk

As Chief Constable it is important for me to highlight the implications of the budget and place them in the context of current operational demand, threat and risk in Leicestershire.

I, of course, reassert my commitment as Chief Constable to deliver a good service, focused on core policing and high standards, to the public.

However, Leicestershire Police has experienced an increase in demand of 20%. This is partly due to changes in crime recording but also improved confidence to report crimes like rape, domestic violence, stalking and harassment and easier access through digital channels such as Single Online Home.

Policing continues to become more complex with the rapidly changing nature of crime, sharp rises in high-harm crimes, cross-border criminality and the interconnected nature of physical and digital evidence that needs to be captured and interpreted.

The most recent Force Management Statement identified five strategic themes: workforce development, digital capability, financial sustainability, the growing population and demands of Leicester, Leicestershire and Rutland, and the status of collaborations locally, nationally and regionally.

This reflects the need to develop and lead our new-in-service workforce, maintain momentum in our technology and digital capacity, sustain budgets, respond to new Census data and house building in parts of the county, and deal with the consequences of changes to collaborations in criminal justice, occupational health and any others.

It is worth noting that these strategic risks are managed currently by the workforce mainly in staff roles, rather than officer roles.

Underpinning the FMS was, for example, a record increase in demand to tackle serious collision investigation, missing from home people, fraud and financial crime.

In addition, we have to seek to mitigate factors outside of Leicestershire Police's remit. 46% people arrested have some form of mental health need. There has been an 18% increase in traffic reports.

Separately, there has been a 100% increase in work received from national CEOP linked with Paedophiles online. This therefore drives up demand within other departments in the force.

2022/2023 was a challenging year with a notable increase in protest and public order both nationally and locally. The criminal justice system remains under pressure with significant backlogs linked with Covid-19 and recruitment challenges within the Crown Prosecution Service and judiciary. This has a knock-on effect as additional work has to go into supporting victims and witnesses along with meeting new guidelines around disclosure and accreditation linked with the judicial process.

The pace of technology and an explosion of data has placed pressure on digital capability. This has required us to accelerate plans to remodel the Information Technology department and introduce new skills and digital capabilities.

By way of example, the number of electronic devices we are recovering has doubled in less than five years. Running alongside this is a growing expectation from the public that devices are examined and returned within 24 hours. This is not achievable without investment and new ways of working.

Leicestershire is recognised as being one of the most diverse areas in the country. We are proud of this but it brings a high level of expectation and complexity not experienced in all force areas. Recent tensions in East Leicester illustrate how underlying tensions can lead to disorder and criminality. We anticipate the level of engagement necessary to sustain and maintain good order will far exceed what we have experienced in recent years.

Having considered operational and organisational needs, along with the continued delivery of the Police and Crime Plan, below are areas which will require additional investment during 2023/2024 despite a budget gap.

5. Areas requiring growth

- Digital forensics and achieving accreditation status. This is to receive and examine electronic devices at increased volumes to a service-level standard.
- Increased digital and data team to manage increased data and prepare for movement to Cloud technologies.
- IT restructure: New skills and capability to progress the use of Cloud and machine-learning or Artificial Intelligence technology. This is to manage demand and complexity.
- Human Resources restructure and new service delivery model to be introduced during 2023. This will support our uplifted and new-in-service workforce.
- Local Occupational Health and Wellbeing structure introduced during 2023. This is to mitigate the dissolution of a regional occupational health offer and strengthen local provision with better wellbeing support.
- Temporary uplift to workforce planners to manage the increased officer levels on area and changing deployments.
- Delivery of the estates strategy.

In summary, we have much to do to sustain and strengthen the police service in Leicester, Leicestershire and Rutland.

I have set out the context in which this budget sits. We are experiencing greater demand, higher need for investments in technology and specialisms, but with a real-terms cut in budget.

The proposed budget, even when supported by the maximum increase in precept funding from local taxation of £15, will still fall short of what is necessary to maintain the current levels of resources.

Working within the budget setting principles, the force will seek to reduce the budget gap in 2023/2024 through the following approach.

6. Proposals to close the £5.8 million gap for 2023 / 2024

To close the gap and present a balanced budget for 2023/2024, the force will focus on the following areas for reductions:

1. Reduce the level of investment earmarked for some internal reform by £350k. The force will accept that current service in some areas will need to be maintained and not enhanced.
2. The force will reduce the number of Police staff by 8% through vacancy management and natural attrition. This will require significant remodelling and, in some areas, may result in the reversal of workforce modernisation (i.e. putting officers in roles carried out by police staff) and will save £3m.
3. Regional contributions are still subject to agreement.
4. EMSOU officers returning to Force establishment realising a £275k saving.
5. Inclusion of a £620k contribution from the OPCC budget.
6. An efficiency saving of £200k through refinement of processes and systems.
7. Reduction in estimated utility and vehicle fuel inflation of £350k
8. Intended use of equipment reserve for on-off body armour costs of £150k

These savings will reduce the funding gap to £1m. The remainder would be met from the Budget Equalisation Reserve (BER).

Appendix A provides additional detail regarding the Police staff establishment.

You will note the intention in the short term to reduce staff numbers through the strategic management of vacancies. This will place a hold on all vacancies to allow the force to assess and prioritise the recruitment process. Those departments facing highest demand and risk in accordance with the Force Management Statement are likely to be prioritised for recruitment against other areas of the organisation. Those areas facing lower risk are more likely to have vacancies removed from base establishment in the medium-term.

Police staff play a significant and vital role in the delivery of policing services.

To reduce staff in order to meet the budget over the entire period of the MTFP will require significantly more staff posts to be removed above and beyond an 8% reduction.

Given the often specialist nature of police staff roles, this will require a detailed review to ensure the removal of staff is achievable and appropriate – as well as cost effective – and it will need to align with the removal and redistribution of workload.

This extensive review and process will take time to complete. My intention would be for this work to reach initial options for savings before April 2023, more detailed findings by December 2023 in time for detailed budget planning, and then full consideration of options for Spring 2024. In the interim, my recommendation, as stipulated earlier, would be to use reserves to underpin the current performance of the force.

7. Further support

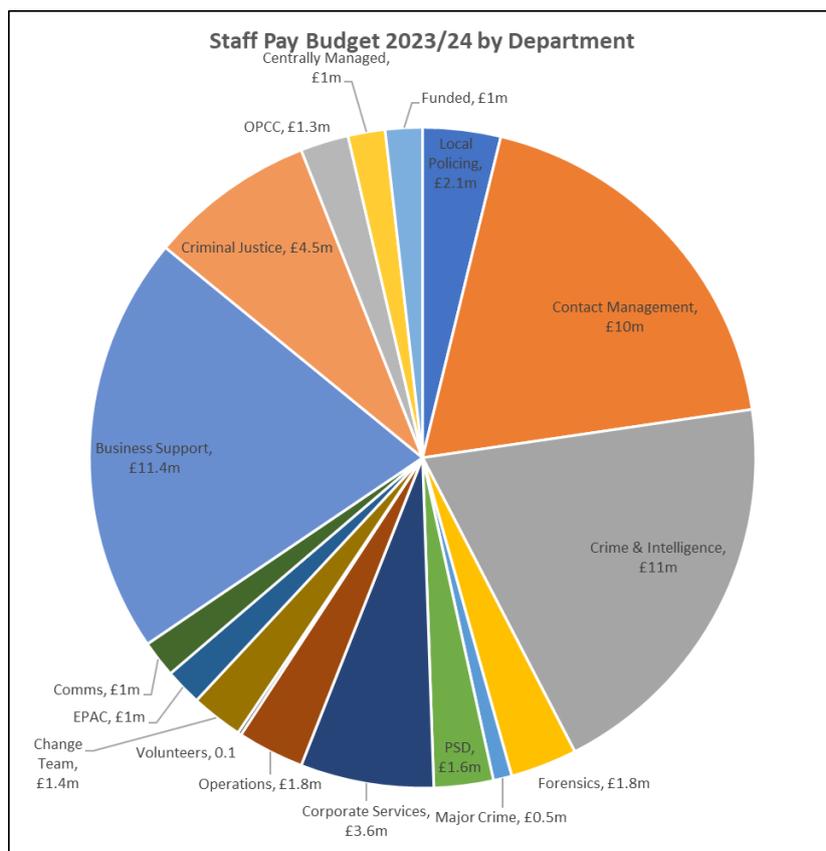
The Police and Crime Panel's support for a £15 precept rise is essential for the force to sustain its level of service and to deliver against the plan outlined in this report. In my opinion, the Commissioner's influence and full support for this outcome is vital.

Separately, I would also encourage the Commissioner and his office to consider further lobbying efforts to address the pay award funding shortfall for 2022/2023 by re-engaging with the Home Office, if possible. I understand that other forces are also giving this proposal consideration given the extremely challenging budgetary situation it has created for forces in England and Wales.

8. Recommendations

1. Note the report.
2. Support the initial budget allocation for areas of growth and the force's proposals in principle to close the budget gap.
3. To lobby for additional payment towards the Pay Award allocated in 2022/2023 along with reaffirming the importance of £15.00 precept in 2023/2024 to the Police and Crime Panel.

Appendix A



<u>1. Staff Pay Breakdown</u>	<u>Budget £</u>	<u>FTE</u>	
Local Policing	2.1	61.85	
Contact Management	10.5	213.46	
Crime & Intelligence	11	257.29	<i>less RSU</i>
Forensics	1.8	28	
Major Crime	0.5	13	
PSD	1.6	43.84	
Corporate Services	3.6	81.1	
Operations	1.8	45.33	
Volunteers	0.1	4.35	
Change Team	1.4	28.8	
EPAC	1	24.74	
Comms	1	18.92	
Business Support	11.4	241.41	
Criminal Justice	4.5	124.54	
OPCC	1.3	22.54	
Centrally Managed	1	2.76	
Funded	1	17.2	
Totals	55.6	1229.13	

