

NOT PROTECTIVELY MARKED

Options for Change

Executive Summary



6th July 2010

Bedfordshire Police and Hertfordshire Constabulary

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This joint outline business case concludes that the full and voluntary merger of Bedfordshire Police and Hertfordshire Constabulary is the preferred option to maintain the provision of frontline visible policing services within the context of the predicted funding gap faced by the two Forces over the 2011-15 financial years.

The method of generating savings through merger of the two Forces, allowing most savings to be made in reducing from two Force back office infrastructures to one, equates to between 180 and 360 police officer posts more in a merged Force than if the two Forces remain independent.

In September 2009 Bedfordshire Police Authority and Hertfordshire Police Authority invited the Chief Constables of their Forces to present their professional advice and recommendations on options for change in order to address the known financial gap facing both Forces at that time.

This joint outline business case presents a detailed assessment of the existing and foreseeable financial pressures faced by both Forces and the impact of these on operational performance. The paper considers a number of potential options available to the respective Police Authorities to mitigate such pressures.

The key question this document seeks to address is how do we maintain the quality of policing services across the two counties of Bedfordshire and Hertfordshire in the face of the toughest cuts in public spending seen in over 20 years?

Bedfordshire and Hertfordshire have a projected combined budget gap of £40.6m by 2014/15 (13.8% of the Forces' combined 2010/11 budget). This requires that both Forces will need to make major savings and implement significant and fundamental change in order to sustain the totality of policing provision both in terms of local policing and protection of communities from more serious harm. Budget cuts have been announced during the production of this joint outline business case and there is a strong likelihood that further budget cuts will be announced in the short to medium term.

This joint outline business case has been compiled according to national standards and reviews five aspects in order to identify and evaluate a wide range of options for change.

The evaluation of the Strategic, Economic, Financial, Commercial and Management aspects, in line with guidance from HM Treasury and the Office of Government Commerce (OGC) for the preparation of business cases, provides the necessary rigour in terms of cost benefit analysis and assessment of threat, risk and harm in order to identify a clear recommendation for change.

The joint outline business case concludes by demonstrating that full and voluntary merger is the preferred option and recommends the next steps for further developing this option within a full business case.

Tribal Consulting has performed an independent review of the work completed to date (covering the work completed in September 2009 through to the present delivery). Tribal's review (published as a separate report) highlighted limitations in previous work and recommended a structured approach to the development of the business case, which the project team has implemented. Tribal has provided continued support and challenge to the project team during the preparation of this business case.

The case for change

After a decade of increasing investment police finance is under the most significant pressure seen in a generation.

The economic downturn over the past three years has created, and will continue to create, a reduction in central and local funding, directly impacting on police funding.

On the 27th May 2010 all police authorities received a letter from Nick Herbert, Minister of State for Policing, detailing the reductions in central police funding in 2010/11 budgets. Core government funding to the police has been reduced by approximately 1.5%, a total of £125m. The impact on Bedfordshire Police is a £1m reduction whilst Hertfordshire Constabulary has a reduction of £1.8m. This has had to be subsumed within current budgets and the impact is being dealt with outside of this business case.

Looking forward, the Chancellor announced in his budget statement on the 22nd June 2010 real terms budget cuts across government departments (including the Home Office) of 25% over the next four years. Based on this, all Forces are anticipating a significant reduction in funding over the coming years.

Bedfordshire and Hertfordshire now face a severe financial challenge.

The projected combined budget gap for the two Forces between 2011/12 and 2014/15 is £40.6m (£15.1m from Bedfordshire and £25.5m for Hertfordshire). This is the equivalent to 13.8% of the Forces' combined 2010/11 budget. This assumes a 3.0 % per annum cash reduction in grant funding for both Forces, and a 2.5 % per annum increase in precept. In addition, a freeze in council tax precept has been assumed for 2011/12 with a compensating uplift in grant for that year in line with the recent Budget statement.

Cumulatively, the projections on grant and precept fund and standstill pressures leave the Authorities facing an unprecedented funding gap over the coming years, as shown in Table 1 below.

Table 1: Funding gap over the coming four years

	2011/12	2012/13	2013/14	2014/15	Total
	£m	£m	£m	£m	£m
Bedfordshire	4.5	3.4	3.5	3.7	15.1
Hertfordshire	8.0	5.6	5.6	6.3	25.5
Total	12.5	9.0	9.1	10.0	40.6

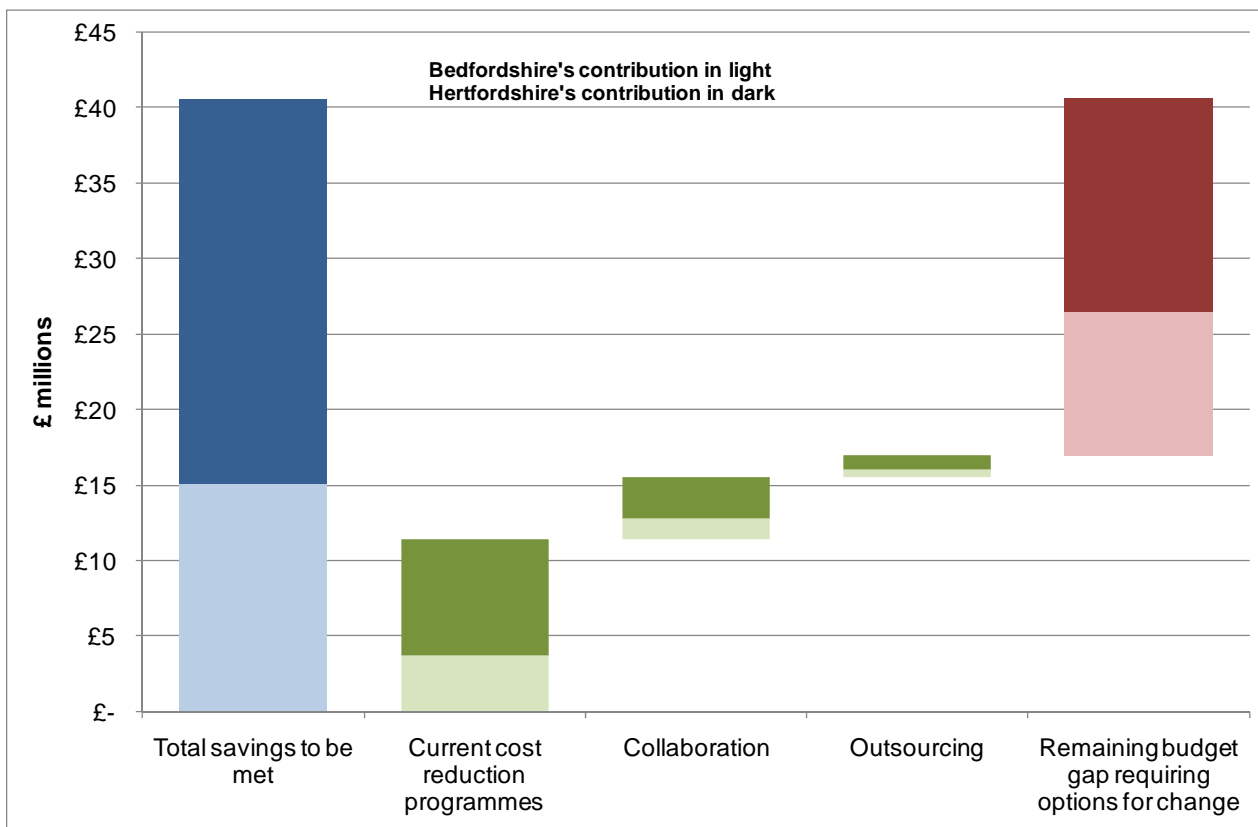
Source: Bedfordshire Police and Hertfordshire Constabulary

It is worth emphasising that in the current volatile financial climate, the assumptions made in calculating the funding gap above could indeed worsen, further widening the gap.

Building upon significant year on year efficiency savings, both Forces already have in place programmes of work to deliver significant cost savings such as *Operation Quest* and *Programme 2011* in Bedfordshire and *Project 2010* in Hertfordshire. These are planned to generate savings over the period up to 2014/15 of £3.7m in Bedfordshire and £7.7m in Hertfordshire. The ongoing collaboration programme is expected to deliver savings over the period up to 2014/15 of £1.4m in Bedfordshire and £2.7m in Hertfordshire. The development of outsourcing is estimated to have potential savings of £0.5m in Bedfordshire and £1.0m in Hertfordshire over the period up to 2014/15. In total, current and planned cost savings projects are projected to deliver annual savings of £17m across the two Forces. This leaves the remaining combined budget gap of £23.6m across the two Forces (£9.5m from Bedfordshire and £14.1m for Hertfordshire).

Figure 1.1 below illustrates the budget gap and the extent to which the cost cutting projects described above partially meet this gap.

Figure 1.1: The 2014/15 budget gap and cost reduction projects to close the gap



Source: Bedfordshire Police and Hertfordshire Constabulary

The economic analysis conducted in delivering this joint outline business case indicates that, if no further measures were taken, council tax precept levels would have to rise by approximately 25% to close the remaining budget gap of £23.6m. In the current financial climate this is not considered practical.

A delay in reaching a decision about the course of action to take will increase the budget gap and reduce the time available by which this must be achieved.

A clearly articulated short-list of options

Through a qualitative evaluation of a long-list of options, a clearly articulated short-list of three options has been developed.

The Bedfordshire and Hertfordshire project team has considered a long-list of 9 potential options to address the remaining budget gap of £23.6m facing the two Forces from 2011/12. An evaluation of this long-list against a set of critical success factors which included practicality, feasibility, achievability and cost effectiveness, established a short-list of three potentially viable options for more detailed assessment. The short-list is described in greater detail below.

Each of the options requires the two Forces to deliver their current cost reduction programmes. Both Forces have a strong history of delivering financial savings through internal programmes of

work and are continuing to deliver savings through their current cost savings projects as well as the ongoing collaboration programme. As already described, despite the savings expected from these programmes, further savings of £23.6m will be required from 2011/12 to close the anticipated budget gap.

In addition, each option allows the development of future collaboration or partnership on a case by case basis (e.g. procurement).

Option 1: Independence with Preferred Collaboration Partner plus a savings programme requiring major internal cuts

Option 1 maintains the separate identities of Bedfordshire Police and Hertfordshire Constabulary whilst continuing with the current, planned collaboration programme between the two Forces to generate total savings of £4.1m. In addition, it is necessary to complete a programme of major internal cuts, which would involve substantial reductions in the number of frontline staffing posts to close the projected budget gap of £23.6m across the two Forces (£9.5m in Bedfordshire and £14.1m in Hertfordshire).

The financial costs incurred with delivering the programme of major internal cuts are £0.9m per annum. These costs must be paid back as part of the programme of major internal cuts leading to an overall savings target of £24.5m.

Option 2: Extended Collaboration plus a savings programme requiring significant cuts

Option 2 maintains the separate identities of Bedfordshire Police and Hertfordshire Constabulary and significantly expands on collaboration on all services with the exception of the following functional areas.

The functions excluded from this option are:

- Local Policing – excluded because it is not possible for a single Local Policing function to deliver on the priorities and policing styles of two independent organisations.
- Single site Contact and Control Room/Contact Management Centre – it is considered impractical for a single communications function to manage two independent sets of local policing priorities, operational systems and policing styles.
- Custody – The two Forces have adopted key processes and procedures that complement their respective policing styles. These different ways of working and differing IT systems mean that it would be difficult to harmonise and align their approach to custody in the short term.
- Senior command structure – with the exception of a shared Director of Resources and a shared ACC Protective Services this option requires independent command to be maintained for the two Forces. In addition, the costs related to two Police Authorities or, in time, Police Commissioners, would remain.
- Command support – the senior command teams would still require some strategic HR, Performance Management and Finance roles to support them.

This generates total savings of £12.1m. In addition, it is necessary to complete a programme of significant cuts to close the remaining budget gap of £15.6m (£6.8m in Bedfordshire and £8.8m in

Hertfordshire). Delivering these cuts will have a significant impact on frontline police officer and staff numbers.

- The total financial costs incurred with delivering the programme of major internal cuts are £1.6m per annum. These costs must be paid back as part of the programme of major internal cuts leading to an overall savings target of £17.2m. This is 70% of the cuts that Option 1 must deliver.

Option 3: Full and Voluntary Merger plus a savings programme requiring cuts

The merging of the two Forces into one single organisation/legal entity under a single chief officer team and single Police Authority providing policing services across the two counties of Bedfordshire and Hertfordshire. With the exception of branding, phased in over time, there is no visible change to the delivery of local policing across the two counties.

The two Forces together would create an organisation of about 6,200 personnel with a combined revenue budget of £293.6m (as of 2010/11 and prior to any reductions). The combined Force would be the tenth largest in England and Wales allowing far greater national influence than either Force can have independently. The likely Most Similar Family[†] of Forces for a combined area would be Hampshire, Sussex, Essex, Thames Valley, Avon and Somerset, Kent and Leicestershire. Both Forces combined together would not cut across any county, district/borough or unitary authority boundaries.

This option delivers savings of £20.4m leaving a budget gap of £7.3m that will be closed through the delivery of a cost reduction programme.

The total financial costs incurred with delivering the programme of internal cuts are £1.9m per annum. These costs must be paid back as part of the programme of cost savings leading to an overall savings target of £9.2m. This is 38% of the cuts that Option 1 must deliver.

By merging, substantial savings are delivered through the rationalisation of two corporate infrastructures and support service functions into a single organisation. This is enabled by the relatively small geographic size of the new Force, which would remain the smallest Force geographically in the Eastern Region. This allows the delivery of service from a single location, thereby enabling greater economies of scale to be achieved. There will be a reduction of 280 police staff posts across both legacy organisations; and a high proportion of this reduction would involve redundancies.

Currently, much work is duplicated in terms of servicing two separate Forces. Merger involves the full integration of the functions across support, operational support and corporate operational areas. This would allow the major savings that are needed to close the budget gap in both Forces to fall on support staff posts rather than on local or front-line police officer posts.

The additional savings generated through the merger of the two Forces equates to between 180 and 360 police officer posts against options 1 and 2.

[†] As identified by the Home Office during the preparation of Bedfordshire and Hertfordshire's September 2009 Options for Change paper

A direct comparison of the costs and savings of the three options

Table 2 below sets out the costs and savings associated with each option.

Table 2: A direct comparison of the costs and savings of the three options

	Option 1	Option 2	Option 3
Budget gap	- £40.6m	- £40.6m	- £40.6m
Current cost reduction programmes including outsourcing but excluding collaboration	£12.9m	£12.9m	£12.9m
Collaboration	£4.1m	£12.1m	-
Merger	-	-	£20.4m
Net gap	- £23.6m	- £15.6m	- £7.3m
Financing costs	- £0.9m	- £1.6m	- £1.9m
Sub total	- £24.5m	- £17.2m	-£9.2m
		(This equates to 70 % of the cuts Option 1 must deliver)	(This equates to 38 % of the cuts Option 1 must deliver)
Programme of major internal cuts/significant cuts/limited programme of service cuts	£24.5m	£17.2m	£9.2m
Revised budget gap	£0m	£0m	£0m

Source: Bedfordshire Police and Hertfordshire Constabulary

The risks of delivering Options 1 and 2 are significant

Under both Options 1 and 2 the remaining budget gap is closed by a programme of major internal cuts to bridge the funding gap. This programme of work would be designed to minimise the impact on visible policing by targeting functions such as training, air support and mobile data. However, this will not be sufficient and there will need to be extensive cuts in frontline police officer and police staff numbers across both Forces. There are significant risks associated with delivering the savings required to make either of these options feasible as described below.

The risk of implementing the change

There is an increased complexity associated with delivering the collaboration elements of Option 2. Collaboration requires a continual process of negotiation between the two Forces and Police Authorities and a lengthy process of implementation because of the requirement to align practices and grades (or consider keeping separate working practices). This continually draws on management capacity and resources, rather than focusing those roles on delivery.

There are diminishing returns associated with extended collaboration. The Bedfordshire & Hertfordshire Joint Collaboration Programme has identified and delivered on the majority of areas that can produce significant returns on investment and subsequent projects have been increasingly complex, requiring greater resource and time to deliver. In addition, the collaboration programme has had a number of areas of work discontinued because the benefits generated were not sufficient to cover the investment required or risks involved.

Throughout extended collaboration, decisions are required about which of the Forces' processes or systems are adopted for collaborative working, or indeed where different approaches are maintained. Evidence from the collaboration programme has shown that distinct enablers to joint working, such as the introduction of a joint pay scale, will allow extended collaboration to be more achievable. However, there is substantial commitment and effort required from the two Forces to achieve such parity and this takes considerable time to achieve whilst maintaining two separate legal entities. Implementing such important change is challenging to deliver in the timescales facing the Forces, and is considered to be sub-optimal.

Delivering the radical and deep change that both options require within the next four years is highly challenging and puts both Forces at risk in maintaining business as usual.

The impact of delivering savings to close the budget gap

It will not be possible to close the budget gap without having an impact on the quality of policing services delivered to the public at neighbourhood level. The impact of making such cuts will be highly unpalatable to the Police Authorities, officer and staff associations and will damage public confidence in local policing.

Option 2 can deliver greater savings if required by delivering a greater proportion of the cuts proposed under Option 1. However, these are crude cuts to service delivery that will have a more substantial impact on the quality of service.

The impact on performance

The significant cuts required to make Options 1 and 2 viable have a direct impact on the operational performance of both Forces and these are clearly articulated by both chief officer teams. There will be reductions in infrastructure areas such as learning and development, the capital investment programme (including mobile data and ANPR), policing activities (including forensic and air support budgets) and the police estate (including closing police stations and enquiry offices). However, the great majority of the cuts will have to fall in operational officer and staff numbers (including the number of visible police resources in neighbourhoods) which make up the great majority of the establishment.

Under Option 1 Bedfordshire will struggle to maintain the improvement in performance the Force is currently experiencing. For example, Bedfordshire will find it difficult to sustain previous improvements in Serious Acquisitive Crime (where sizeable reductions of 32% have been seen in the past five years) and this will lead to risks and implications on the Force's assessment in the Police Report Card.

Option 1 would change the fundamental characteristics of Hertfordshire Constabulary from an 'excellent' Force, positioned in the top 5 Forces in England and Wales to an 'average' Force, possibly lower in some areas of activity. Cuts would have to be made in all areas of Local Policing and the current levels of support Community Safety Partnerships currently receive would not be sustained.

Both Forces would need to narrow their focus and remit, concentrate more on reactive policing and the core roles of responding to and investigating crime and of dealing with risk to life and immediate threat to property. The Forces will reduce the emphasis on preventative, community policing and anti-social behaviour thereby affecting the ability to deliver against local policing priorities. Investment in protective services will also be limited leading to the Forces' communities being exposed to risk from organised and major crime.

The cuts will impact the Forces' performance in the following areas:

- The availability of visible policing resources in neighbourhoods, including the closing of police stations; and,
- The delivery of investigations and offender management.
- The resilience of the Forces' protective services capability and the ability to respond to Critical Incidents;
- The ability to meet local policing priorities;
- The effectiveness of partnership working.

Strategic alignment

The reduction in resources required by the significant cuts to close the budget gap in Options 1 and 2 will affect the ability of the two Forces to deliver on the localism and partnership agendas which would lead to less effective local accountability. For example, a reduction in budget and staff numbers will affect the ability of staff and officers from neighbourhood teams to engage in local decision making and priority setting with their communities. The leadership, continuity and commitment that are created by dedicated individuals, a critical success factor for building effective partnerships on every level, will be compromised.

The significant cuts required in Options 1 and 2 will also reduce the resources that support the delivery of local policing. This will particularly affect the key functions in local policing that currently deliver to CSPs (e.g. volume crime/local crime teams, response policing, intervention teams, offender management and prisoner handling teams).

There are significant constraints to collaboration, and as levels of collaboration increase, additional organisational complexities are introduced that lead to greater bureaucracy. Success in collaboration depends on a willingness to compromise in the decision making process, especially in areas where the two Forces, as two separate legal entities, have their own governance arrangements. This generates duplication in the management overhead and reporting commitments required to deliver collaboration successfully to both Forces.

It will not be possible for the Forces to meet their regional and national protective service obligations without having an impact on the resilience of Local Policing resources to meet day-to-day demands.

Delivering Option 3 will require a number of challenges to be met; however the benefits are overwhelming

An achievable path to implementation

Whilst merger of organisations within the public and private sector is not unusual, Option 3 proposes the first merger of police Forces in the past 40 years. However, Forces such as Devon & Cornwall, West Mercia and Thames Valley, have demonstrated that they can deliver an effective service across county boundaries, local government structures and partnership bodies.

Successfully delivering Option 3 in a timely fashion presents a challenge to the two organisations given the need to maintain day-to-day delivery. However, Option 3 can be achieved relatively quickly when compared to the other options given the extent to which the budget gap has been closed and the extensive challenge in delivering the savings required by Options 2 and 3.

The creation of a new Force will require all police staff to be TUPE transferredⁱ and an extensive programme of harmonisation of grades, roles, terms and conditions and remuneration packages to ensure alignment of the old Force structures.

Each of the officer and staff associations in the two Forces have been consulted. Whilst we await their formal positions, initial discussions indicates the Associations understand the need for change and are broadly supportive.

The creation of a new Force will require legislative intervention under section 32 of The Police Act 1996. On request from the Police Authorities the Home Secretary must make an Order to alter the police areas. This adds a degree of complexity to the process (and potentially a period of delay if it is not appropriately planned for) and could result in the Order being disapproved or annulled through Parliamentary procedures thus preventing the merger from being achieved.

To deliver the merger will require the formation of a Shadow Police Authority and Programme Board to provide governance and sign off. A range of capability will be required to deliver the change including robust programme management and specialist, technical support (that includes communications and stakeholder management, benefits realisation management, HR and change management and organisational design). Through the delivery of the collaboration programme the Forces have demonstrated that they have the capability to deliver such change.

Delivers savings to close the budget gap

Option 3 generates the greatest financial savings with the least impact on front-line policing and the quality of service delivered to the public.

Significant savings are delivered through the removal of duplicate corporate infrastructures and support services that is enabled through the relatively small geographic structure of the new Force. The move from two to one corporate infrastructure to deliver back office services to the new Force (with a reduced cost in back office services of £13m when compared to the combined budget for 2010/11). The option delivers on the police value for money agenda through the removal of duplicate activities in back office support functions in order to maximise the number of officers on the front line.

Option 3 generates an additional £16.3m of savings compared to Option 1 and an additional £8.3m of savings above Option 2. The additional savings generated through the merger of the two Forces equates to between 180 and 360 police officer posts. Whilst none of the options close the budget gap without the need for further cuts, the additional savings delivered by Option 3 will be consistently greater (and maintain the indicative officer posts) than Options 1 and 2 regardless of further changes in central or local police funding.

The affordability assessment shows that the cost of delivering Option 3 is affordable to both Forces, making prudent use of resources and capitalising costs where appropriate. This capitalising approach would require approval from government. The financing suggested for Option 3 means that the proposals would help to reduce the funding gap in each year 2011/12 to 2014/15. By 2014/15, instead of a gap of £40m there would be gap of £9m. This residual gap would need to be addressed by the delivery of further cost savings projects.

Option 3 allows the delivery of further savings should police funding levels continue to change and the budget gap increases. Savings can be achieved through further internal cost reductions (as the programme of savings for Options 1 and 2 requires) or external collaboration, partnership or outsourcing arrangements with other Forces, public sector partners or industry.

The Merger savings are realised within two years and are therefore able to address the funding gap far sooner than the other options detailed within this joint outline business case.

The economic appraisal completed in the preparation of the joint outline business case shows that Option 3 presents the best economic value.

Maintains operational performance

The Chief Constables of both Forces have agreed to prioritise visible policing within neighbourhoods and there will be no transfer of such posts between the two county areas under the merger. This will allow both Bedfordshire and Hertfordshire as a merged Force to maintain their current performance across all policing activities including protective services and the delivery of local policing priorities and strategic policing plans.

The merged Force would be able to better protect against the erosion of resources dedicated to frontline and Local Policing whilst at the same time providing an effective Level 2 Protective Services capability operating across the current county boundary and more effectively tackling Serious and Organised Crime, Serious Violent Crime and cross-border criminal activity known to be occurring. With this option, general investigative performance would be maintained and the Bedfordshire and Hertfordshire merged Force would be better able to continue to make investment in people, processes and Information Technology maintaining and improving levels of innovation and the professional development of staff. This option would enable the combined Force to meet partnership commitments, maintain standards and delivery of local priorities, deliver public confidence and achieve an overall 'good/excellent' assessment.

Adoption of best practice and optimum processes across the two Forces creates the potential for greater performance improvement in key areas e.g. victim satisfaction, offender management and serious acquisitive crime reduction.

Strengthens the Forces' strategic position

Under Option 3 resources and structures are better protected in order to continue effective partnership working at all spatial levels (e.g. District, Borough and Unitary Authority level). The Chief Constable of both Forces emphasise their commitment to local accountability including maintaining senior police leaders at head of each local government area (e.g. CSPs) who are clearly identifiable and accountable for policing in those areas. The Chief Constables have given a commitment to sustain the visibility of police at neighbourhood level.

Option 3 allows for greater flexibility and resilience in the delivery of protective services and national requirements without the need to impact on the delivery of day-to-day policing.

The preferred option

The evaluation strongly indicates that Option 3, a full and voluntary merger, is the preferred option.

The implication of the financial cuts required under Options 1 and 2 on the delivery of policing in Bedfordshire and Hertfordshire are severe and will directly impact on the efficient and effective delivery of local policing and protective services.

Delivering merger through Option 3 creates greater savings and the need for fewer significant cuts to be made in headcount or service standards than the other options.

Option 3 better protects the quality of neighbourhood policing and the delivery of local priorities with partners. It also supports local accountability through senior police leadership at local government level.

Option 3 better protects the investment in protective services allowing the merged Force to support its communities and its commitments at regional and national level.

Option 3 makes it possible to generate future savings both internally (through the continued delivery of the programme of significant cuts) or externally (through partnership, collaboration or outsourcing with other Forces, public sector partners and industry) should police funding further reduce.

The economic benefits of Option 3 are substantially more compelling than the other options.

Recommendation

The Chief Constables of the two Forces recommend that a full and voluntary merger of Bedfordshire Police and Hertfordshire Constabulary is undertaken as soon as is practicably possible.