



Inspecting policing
in the public interest

PEEL: Police efficiency 2015

An inspection of Merseyside Police



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Overview – How efficient is the force at keeping people safe and reducing crime?

Overall judgment¹



Good

HMIC found that Merseyside Police is well prepared to face its future financial challenges. It has successfully reduced its spending over the last spending review period while working hard to maintain its services to the public. For these reasons the force is graded as good. Future saving plans beyond 2017 are not detailed and rely heavily on savings coming from the force's change programmes. For this reason it cannot be judged outstanding. In last year's value for money inspection, which considered how forces had met the challenge of the first spending review period, Merseyside was judged to be good.




Summary

HMIC judges Merseyside Police to be good. The force continues to make good progress in achieving its plans to address the budgetary pressures it faces. It has a good understanding of the main elements of the demand for its services, especially from the public and uses its resources well to fight crime and keep its communities safe. The force is enhancing its current understanding of demand through work within its change programme and is altering the way it works to ensure its reduced resources can match demand while improving the timeliness and quality of its services.

There is a clearly articulated and well understood view of the short term priorities for the force and the resources and skills required to achieve them. The force's change programme is ensuring workforce plans are closely aligned with demand and future organisational and financial requirements. However, these plans are not sufficiently developed to inform the force's future operating model which will be vital in providing affordable and sustainable services in the future.

The force has a good track record of achieving its savings. It has controlled its expenditure well and achieved its total savings requirement over the last spending review period. There are plans in place to make savings in future years although beyond 2017 they are less detailed and rely heavily on savings coming from the force's change programmes.

¹ Outstanding, Good, Requires improvement or Inadequate – see Annex A.

<p>How well does the force use its resources to meet its demand?</p>	<p>How sustainable and affordable is the workforce model?</p>	<p>How sustainable is the force's financial position for the short and long term?</p>
 <p>Good</p>	 <p>Good</p>	 <p>Good</p>
<p>The force uses its resources well to meet demand for its services from the public. Its understanding of demand is being enhanced by the work undertaken as part of its change programme.</p> <p>The force ensures that its response to calls from the public is prioritised according to the level of threat, risk and harm to individuals and communities. However, it recognises the limited flexibility it currently has in managing resources across its various departments. This issue needs to be addressed to enable the force to manage anticipated reductions in its current workforce without impacting negatively on the quality of service it provides to the public.</p> <p>The force is in the process of changing the way it manages performance. It is moving from a strongly</p>	<p>There is a clearly articulated and well-understood view of the short-term priorities for the force and the resources and skills required to achieve them. The force understands the need to develop the skills of its workforce and has a training plan in place for this year, enabling staff and officers to fulfil their roles and meet new demands for their service.</p> <p>The force's change programme is ensuring workforce plans are closely aligned with demand as well as future organisational and financial requirements.</p> <p>However, these plans for the future are not sufficiently developed to inform the force's future operating model and workforce mix, which are vital in providing affordable and sustainable services to the public in the future.</p>	<p>The force has controlled its expenditure well and achieved its total savings requirement over the last spending review period. It has a balanced budget for 2015/16 with total savings from the previous year of £23.8m from the change programme, reserves and limited savings from collaboration. The force has not fully explored other options to increase income.</p> <p>Financial plans are aligned to the police and crime commissioner's priorities. The office of the police and crime commissioner (OPCC) works closely with the force and information is shared in a timely way, while the chief finance officer is engaged in the development of all financial plans.</p> <p>The force has a good track record of achieving savings, though future plans beyond 2017 are not detailed and rely heavily on</p>

<p>target-driven approach to one that enables activity to be directed at areas posing the greatest threat and risk to its communities.</p> <p>The force is using different ways of working and new technology to reduce demand on its services, often by working with other organisations.</p>		<p>savings coming from the force's change programme.</p> <p>The force has tight control of expenditure, which is helped through each basic command unit (BCU) commander having a dedicated finance officer, coupled with the fact that the director of resources is a member of the chief officer team.</p>
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Force in numbers



Financial position

Forecasted change in expenditure 2015/16 to 2018/19

£m
-£65.9m

% of Gross Revenue Expenditure

20%

It is important to note that some forces only provided figures for savings they had formally signed off at that point, while others provided estimates for the whole period. As a result, the savings figure above might not reflect the full saving which the force might have to make. 2014/15 GRE has been used here as a baseline.



Providing policing

Planned change in police officer numbers 31 March 2015 - 31 March 2018

Merseyside Police

-9%

England and Wales

-6%

Planned change in total workforce numbers 31 March 2015 - 31 March 2018

Merseyside Police

-17%

England and Wales

-6%

Proportion of police officers on the operational frontline 31 March 2010

Merseyside Police

90%

England and Wales

89%

Proportion of police officers on the operational frontline 31 March 2015

Merseyside Police

91%

England and Wales

92%

Planned proportion of police officers on the operational frontline 31 March 2018

Merseyside Police

91%

England and Wales

92%



Organisation

Police officer cost per head of population compared to England & Wales (2014/15)

Merseyside Police England and Wales

£140

£115

Workforce cost per head of population compared to England & Wales (2014/15)

Merseyside Police England and Wales

£193

£165



Key statistics

Changes in recorded crime (excluding fraud) 12 months to 31 March 2014 to 12 months to 31 March 2015

Merseyside Police England and Wales

+4%

+2%

Changes in recorded crime (excluding fraud) 12 months to 31 March 2010 to 12 months to 31 March 2015

Merseyside Police England and Wales

-9%

-16%

Victim satisfaction 12 months to 31 March 2015

Merseyside Police England and Wales

83.2%

83.8%

Changes in victim satisfaction 12 months to 31 March 2011 to 12 months to 31 March 2015

Merseyside Police England and Wales

Decreased

No change

Victim satisfaction: Merseyside confidence interval +/- 0.1 percent. England and Wales confidence interval +/- 0.2 percent.

For full details on the data used in this graphic see annex A in the efficiency national report.

Introduction

In October 2010, the Government announced that central funding to the police service in England and Wales would reduce by 20 percent in the four years between March 2011 and March 2015. Now, in a period of sustained budget reductions, forces need to continue to make efficiencies while focusing on reducing crime and keeping communities safe.

As part of its annual inspections into police effectiveness, efficiency, and legitimacy (PEEL), HMIC's Efficiency programme assessed how a force maximises the outcomes from its available resources. We reviewed both the financial and workforce planning of police forces while examining wider questions of cost, capability and productivity. Our inspection focused on the overall question, 'How efficient is the force at keeping people safe and reducing crime?'

To answer this question we looked at three areas:

- How well does the force use its resources to meet demand?
- How sustainable and affordable is the workforce model?
- How sustainable is the force's financial position for the short and long term?

During our inspection we collected data and plans from forces, surveyed the public to see if they had noticed any changes in the service they received and conducted in-force inspections. HMIC interviewed chief constables and the chief officers responsible for finance, organisational change, human resources and performance in each force and held focus groups of officers and staff at different grades and ranks, and made unannounced visits to police stations.

This report sets out the findings from this wide-ranging inspection of Merseyside Police.

How well does the force use its resources to meet its demand?

HMIC examined how the force understands the demand for its service and how it allocates its staff and financial resources to meet that demand. We then assessed whether these decisions are leading to good results for the public – that the police are visible and that they attend promptly when called, that they are fighting crime and keeping communities safe and that victims are satisfied with the service they receive.

How well does the force understand its demand?

The force has a good understanding of the current demand from the public. It is enhancing its current understanding of demand through work within its change programme, and a detailed understanding of demand exists for many of the services the force provides. It has achieved this understanding by undertaking activities such as mapping victims' journeys after their calls into the force contact centre², analysing demand from serious and organised crime, and examining the work undertaken by 24 hour response and neighbourhood staff.

The force is committed to developing its understanding of the levels of demand it faces to enable it to effectively deploy resources according to priority. While there is an emerging picture from its analysis, there is no overall view of all areas of demand. The force is carrying out work to address this and to gain a broader understanding by analysing around 80 percent of the services it provides. This is also expected to influence various aspects of the change programme such as a new basic command unit (BCU) operating model; a review of neighbourhood policing to align the deployment of neighbourhood officers to threat, risk and harm; and a review of investigations.

To support this work, the force recently produced a demand management plan. This is expected to provide further insight of all incoming demand and analysis of the different channels through which the public contact the force, including an understanding of the demand from online services such as its website.

In addition, the force has engaged with the public, other organisations and communities to help inform its understanding of demand. This enables it to respond to changes at a local and national level. An example of this is the establishment of hubs which provide the opportunity for the force to work with other organisations on emerging issues such as child sexual exploitation (CSE).

² Facility in which call-handlers answer telephone calls from the public, determine the circumstances of the incident, decide what needs to be done, and initiate the initial response.

To ensure communities are kept safe, the force carries out regular and comprehensive assessments of demand, taking into account threat, risk and harm. The force is currently designing a new process to enhance this work further, which will consider a broad range of crime types, the likelihood of the crime occurring and the impact it would have if it did occur.

Another area considered by the force are the regional and national aspects associated with issues such as serious and organised crime, especially when linked to locations or perpetrators within the force area or that of neighbouring forces.

How well does the force match resources to demand?

Over the past four years there has been minimal change to the way the force has responded to demand and delivered its services. However, in response to financial challenges this situation is quickly changing. By refining its processes of matching resources to demand it is providing a quicker and quality response with reduced resources.

Despite some changes, frontline policing continues to be provided from geographically-based BCUs. At the time of the inspection the number of BCUs reduced from six to five, aligning them to local authority areas while also reducing costs. The force continually reviews demand across the local policing functions of 24 hour response, neighbourhood policing and crime investigation to ensure appropriate resources are available. On a daily basis, staff and officers in the BCUs have the opportunity to dial into an operational review meeting to request additional resources to assist with any changes in demand.

The force contact centre (FCC) receives all incoming calls and supports the BCUs to ensure resources are deployed appropriately. Processes are in place to ensure calls requiring an emergency response or a police presence are prioritised by staff in the FCC, and staffing in the centre has been aligned to times of peak demand to ensure calls are managed effectively. Staff are being developed to fulfil more than one role, to enable them to respond to calls from the public, allocate crimes, and deploy officers to incidents.

Calls which do not require an immediate response or a police officer to attend are dealt with either by the crime demand unit (CDU) or planned demand teams (PDT). The CDU undertakes desk-based investigations of crimes to establish what further enquiries are required. The PDTs make scheduled appointments for callers who report incidents or crimes providing them with greater flexibility as to what time an officer visits them. This way of working helps the force to plan its staffing levels based on predictable demand.

The force is increasing its use of technology to help it manage demand and assist the public in accessing the information they require. For example, the force now uses technology which directs callers to the appropriate department and makes use of

web-chat to provide guidance and advice to members of the public. Improvements are also being made to the way the force provides updates to victims of crime through an investment in 'track my crime' software, supported by the Police Innovation Fund.

The force recognises the limited flexibility it currently has in the way it manages resources across its various departments and specialist teams. Anticipated reductions in its workforce mean changes are required to provide a more flexible operating model. During the inspection, some staff described a lack of flexibility between different departments causing them to be overwhelmed with work, while others experienced greater flexibility meaning they could better manage their workload. The work planned by the force to better understand demand should help inform its future resource requirements and ensure these are supported by a suitably flexible operating model.

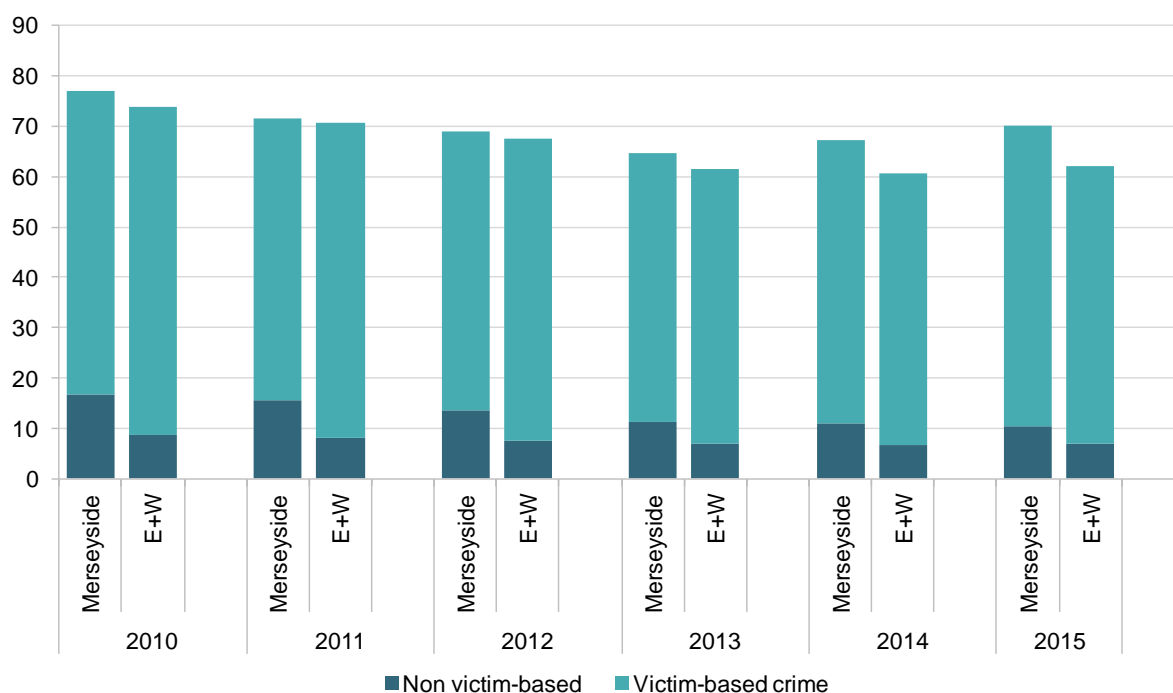
How well are the force's services meeting the demand from the public?

To assess the force's response to public demand, HMIC considered police recorded crime figures and rates in Merseyside, victim satisfaction levels and whether the force is using different ways to communicate with and engage the public.

Although police recorded crime is by no means a complete measure of the totality of demand a force faces, it does provide a comparable performance indicator across all forces. Crime rates are reported as a number of crimes per 1,000 population in each force area to enable comparison between areas. Total police recorded crime is made up of victim-based crime (e.g. theft) and non victim-based crime (e.g. possession of drugs). Two-thirds of forces showed an annual increase in total recorded crime in the year ending 31 March 2015. This increase in police recorded crime may have been affected by the renewed focus on the quality and compliance of crime recording since HMIC carried out a national inspection of crime data integrity in 2014.

In the 12 months to 31 March 2015 Merseyside had a victim-based crime rate of 59.7 and a non-victim-based crime rate of 10.5 per 1,000 population. This represents an increase (1 percent) in the victim-based crime rate and a decrease (37 percent) in the non-victim based crime rate since the start of the spending review in 2010. During the same time period, England and Wales had a victim-based and non victim-based crime rate of 55.2 and 6.9 per 1,000 population respectively. This represents a decrease in both crime rates by 15 percent and 19 percent respectively since the start of the spending review. The scale of the change in police recorded crime rate can be seen in Figure 1 on the following page.

Figure 1: Police recorded crimes per 1,000 population from Merseyside in the 12 months to 31 March 2010 to the 12 months to 31 March 2015, compared to England and Wales



Source: Home Office crime statistics and ONS mid-2013 population estimates (2013 population data are used across multiple years to reveal actual change in recorded crimes, rather than changes due to population change)

Of those who have been the victim of a crime in Merseyside, 83.2 percent³ were satisfied with their whole experience with the police in the 12 months to 31 March 2015. This is lower than the national victim satisfaction rate of 83.8 percent⁴ over the same time period. There has been a significant decrease in victim satisfaction between the 12 months to 31 March 2011 and the 12 months to 31 March 2015 in Merseyside.

To further assess the force’s response to public demand HMIC monitored how it engages with the public as part of the inspection. Figure 2 (on the following page) shows Merseyside use a range of methods (including Twitter and email) to engage with the public.

³ Merseyside, confidence interval +/- 0.1 percent.

⁴ England and Wales, confidence interval +/- 0.2 percent.

Figure 2: Methods of public engagement used by Merseyside Police in the 12 months to 31 December 2014

Are the following communication channels being used by the Force?	
Facebook	No
Twitter	Yes
Email	Yes
Text message	Yes
Web forum	No
Instagram	Yes
Local phone (not 999 or 101)	Yes

Source: HMIC Efficiency data collection

HMIC found the force has a good understanding of the volume and type of demand from the public through calls made to the FCC. Through its channel management plan the force is beginning to understand other routes the public use to access its services, such as through local police stations, and by speaking directly to staff in neighbourhood teams. It is anticipated that this understanding will be used to inform Merseyside's future structure and to increase opportunities for the public to engage with the force.

The force has been successful in reducing its budget while maintaining a good response to emergency calls received from the public. Merseyside receives in excess of 250,000 emergency calls for service from members of the public each year. This is the second highest volume of calls per 1,000 population across all forces in England and Wales.

Over the first four years of the spending review (2011/12 to 2014/15) the force has made savings of £63.8m from its budget while maintaining its services to the public. This has been done by the force adopting new ways of working in its response to non-urgent incidents such as the use of scheduled appointments and desk-based investigations where an immediate response is not required.

How well is the force managing demand?

The force manages its demand well. It does so in various ways dependent on the type of demand and whether work with other organisations is required. Officers are deployed to emergencies and to calls requiring a police presence in line with the force's graded response policy. New ways of working have been introduced to improve the timeliness and quality of the response to incidents provided by response officers. These changes include ensuring risk managers within the FCC have the ability to fully assess incidents and if appropriate to decline a request for a police officer to attend, making better use of the crime demand unit which deals with 30 percent of crime investigations as desk-based investigations, and introducing the scheduling of appointments.

In BCUs, daily meetings take place to allocate staff and officers to areas of new and existing demand. These meetings provide a strong focus on the allocation of resources to meet demand concerning the protection of vulnerable people, neighbourhood priorities and force priorities. They also review areas of policing which are considered to put the public at an increased risk of threat or harm. These processes allow for the allocation of resources to areas of greatest need, with senior managers having the ability to request additional support from elsewhere in the force.

Demand from intelligence relating to serious and organised crime, including threats to life, the criminal use of firearms and CSE is managed through the matrix serious and organised crime department, with support provided by frontline officers. To manage the demand associated with protecting vulnerable people, the force has invested in specialist officers to investigate cases, such as domestic abuse and so-called honour-based violence, which involve victims assessed as being at a higher risk of harm. The force has shown its ability to address the demand associated with emerging issues through introducing CSE teams in each BCU across the force. However, the resourcing of these teams is currently based on a limited understanding of this type of demand.

The force has worked hard to redirect or reduce unnecessary demand by working with other organisations. For example, it is working with Mersey Care NHS Trust to address the increasing demand placed on both the force and local hospitals.

To reduce the time officers spend responding to incidents relating to mental health, a triage car has been introduced which is staffed by a police officer and a mental health worker. The success of the triage car led to similar initiatives, such as the piloting of an ambulance triage assessment scheme to reduce officer time spent on and to improve the care received by someone requiring medical assistance while waiting for an ambulance.

During this inspection HMIC inspectors spoke to representatives from other organisations, who were positive about the way the force works with many other organisations.

How well does the force monitor and understand outputs, outcomes and costs?

The force is in the process of changing the way it manages performance. It is moving from a strongly target-driven approach to one that enables activity to be directed at areas posing the greatest threat and risk to its communities.

The force has a reasonably clear, though not universal understanding of the relationship between costs and outputs. To bring about better control of spending it has centralised an increasing number of budgets. The force has some understanding of outputs for departments such as human resources which have made it more efficient. However, this is not the case for all areas and the force is looking to use its new change processes to address the issue and inform future restructuring.

HMIC found examples where initiatives in the force's change programme have already created efficiencies. Some of these efficiencies involve improving processes and removing duplication through reviewing the force's intelligence processes, and making improvements to IT systems to reduce the time taken to input data.

The force continues to monitor the effect of any changes on the quality of its services. For example, the closing of a custody suite as part of cost savings has been reviewed because it created inefficiencies such as increased travelling times for officers to another site. The custody suite has since been re-opened.

How well is the force using new working methods to improve services?

The force has a well-planned and extensive programme of change, with appropriate governance in place. It has begun the fourth phase of the sustaining excellence programme (SEP) which aims to bring about the most significant changes in the force to date. The projects, which will include the centralisation of resources, have a £31m savings target and will assist in reducing the current workforce. The workforce has been consulted on the SEP at force road-shows, and through local briefings, while they have also been consulted on the individual strands of change through involvement in working groups.

There have been a number of new initiatives using technology to improve ways of working. These include body-worn cameras which improve evidence capture, the roll-out of mobile devices to frontline officers and a live link from police stations to court allowing officers to continue working while waiting to give evidence.

In addition, there is a planned upgrade of the force's current IT infrastructure to address connectivity issues.

The force is also adopting new technology by taking advantage of bids to the Police Innovation Fund. For example, it has secured funding for biometric fingerprint recognition technology for those reporting on bail, which will make the process more efficient.

The force has not maximised the potential from collaboration, though this option is being explored in more depth. The force will only collaborate where there is a clear financial benefit, or an opportunity to improve capability. Examples where benefits are being realised include collaboration with the regional organised crime unit on protective services and with Cheshire and North Wales police for IT, infrastructure and estate. Current opportunities for collaboration which are being explored with other organisations include the co-location of services to manage offenders and support victims.

Summary of findings



Good

The force uses its resources well to meet demand for its services from the public. Its understanding of demand is being enhanced by the work undertaken as part of its change programme.

The force ensures that its response to calls from the public is prioritised according to the level of threat, risk and harm to individuals and communities. However, it recognises the limited flexibility it currently has in managing resources across its various departments. This issue needs to be addressed to enable the force to manage anticipated reductions in its current workforce without impacting negatively on the quality of service it provides to the public.

The force is in the process of changing the way it manages performance. It is moving from a strongly target-driven approach to one that enables activity to be directed at areas posing the greatest threat and risk to its communities.

The force is using different ways of working and new technology to reduce demand on its services, often by working with other organisations.

How sustainable and affordable is the workforce model?

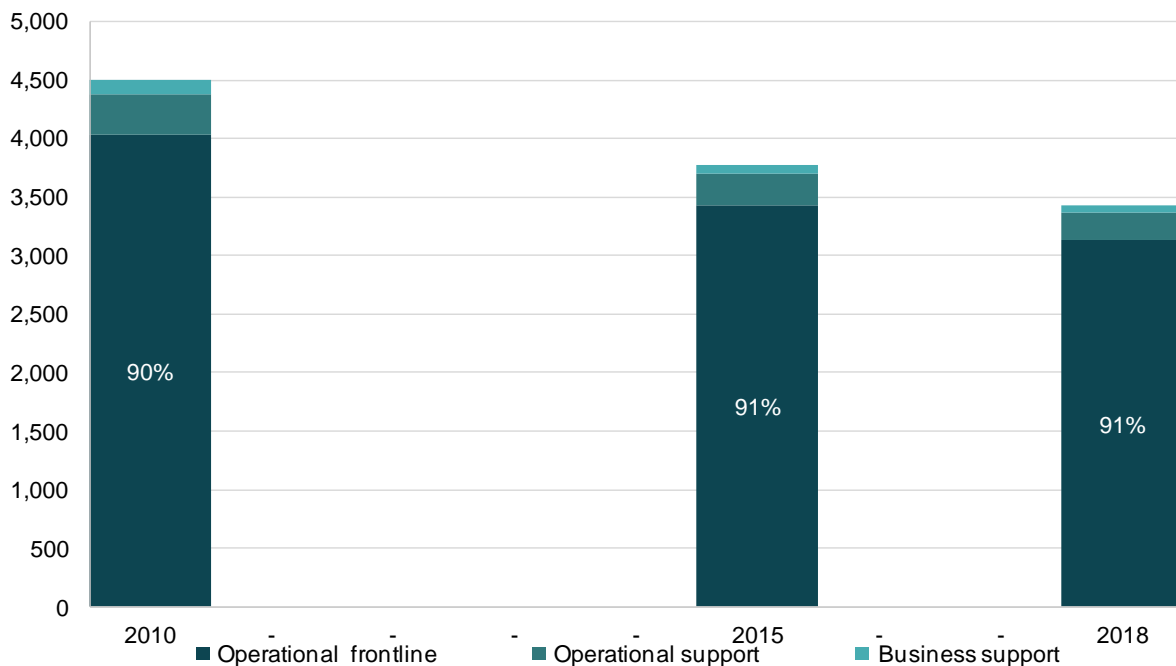
HMIC examined how Merseyside Police has structured its workforce (i.e. its mix of police officers, staff and PCSOs, and the proportion of all these groups working in frontline positions), and assessed whether this was affordable and sustainable as the force responds to its financial challenge. We also considered what the force is doing to ensure the workforce has the right skills and capacity to fight crime and keep communities safe now and in the future.

How well does the force's current workforce model match demand, organisational and financial requirements?

Merseyside Police forecasted a total savings requirement over the first four years of the spending review as part of the value for money inspection programme (2011/12 to 2014/15) of £63.82m, the equivalent of 17 percent of the 2010/11 gross revenue expenditure for the force. Savings were made in both the pay and non-pay budgets. Since 2010, Merseyside Police has seen a reduction of 722 police officers, 448 staff and 115 PCSOs full time equivalents (FTE).

In Merseyside, there have been falls in the total number of police officers FTE over the period 2010 to 2015, as shown in figure 3. During this time period the proportion in frontline roles has increased from 90 percent in 2010 to 91 percent in 2015. The force expects to maintain this proportion looking ahead to 2018.

Figure 3: Actual and planned changes to police officer full time equivalents (FTE) in operational frontline, operational support and business support roles in Merseyside Police, from 31 March 2010 to 31 March 2018



Source: Home Office annual data return and HMIC efficiency data collection

For further information about the data for figure 3 please see Annex B

For its current operating model the force has retained its BCU structure with some recent minor changes such as the merger of Liverpool north and south BCUs, which was in progress during the inspection and is expected to result in savings of over £3m for 2015/16. The workforce plans have been closely aligned with the finance and change programmes, reflecting the force priorities. The forthcoming phase of the sustaining excellence programme contains a number of substantial reviews of the operating model and it is anticipated that future change plans will need to involve a significant restructure of the workforce to fit the resources available. There are a number of possible options under consideration but the force has not yet decided on its future operating model.

During this time of change, the force is continuing to develop its workforce and has a training plan in place for 2015/16. The plan is focused on priority training which staff must receive to be able to fulfil their role. There is a strong focus on developing the skills of officers to enable them to perform a wide range of policing activities to ensure the force can meet the demand for its services. There has also been an investment in more specialist training to improve the knowledge of staff in areas such as mental health, so-called honour-based violence, CSE and forced marriage.

How well does the force's projected workforce model match demand, organisational and financial requirements?

Figure 4: Actual and planned changes in workforce FTE from 31 March 2010 to 31 March 2018 for Merseyside Police compared to England and Wales

	March 2010	Difference between 2010 and 2015		March 2015	Difference between 2015 and 2018		March 2018
		Force	England and Wales		Force	England and Wales	
Police Officers	4,516	-16%	-12%	3,794	-9%	-6%	3,454
Police Staff	2,252	-20%	-19%	1,803	-27%	-6%	1,310
PCSOs	468	-25%	-27%	353	-43%	-11%	200
Workforce total	7,236	-18%	-15%	5,951	-17%	-6%	4,964

Source: HMIC Efficiency inspection data collection and Home Office workforce statistics

For further information about the data for figure 4 please see Annex B

The force's overall workforce numbers are 5,951 full time equivalents (FTE). This is projected to reduce to 4,964 FTE by March 2018, a 16.58 percent reduction. As displayed in figure 4, the percentage reduction in workforce size between 2010 and 2015 has been greater than average for forces in England and Wales, and is forecasted by the force to continue to be a much steeper cut than the England and Wales average in workforce numbers going forward to 2018.

In HMIC's value for money profile, published in October 2014, Merseyside Police showed slightly higher proportions of officers with less than 10 years service and more than 20 years service than the national average while the number of officers leaving, as a percentage of the total, was almost exactly the national average. In terms of total workforce, Merseyside had more workforce per 1,000 population than any other force in England and Wales (excluding the Metropolitan Police). Their costs per FTE is similar to the England and Wales average, but their cost per head of population is much higher than average due to the size of their workforce.

Merseyside has projected a total savings requirement, for the four year period of 2015/16 to 2018/19 of £65.88m, which equates to 20 percent of their estimated 2014/15 gross revenue expenditure. Workforce reductions are being driven by budget pressures and are based on the number of staff and officers projected to leave the force. The force's leadership team has a longer-term vision of what the force will look like in the future, but HMIC found the workforce have little knowledge

of this vision, especially in relation to the future structure of the organisation. However, the force's road-shows about budget cuts had provided an understanding among the workforce that the organisation will be smaller. The force has estimated that 3,400 police officers is the minimum level that could sustain operational policing. This is based on their professional judgment but in the future this should be informed by a more comprehensive understanding of demand.

The force has started to work through the changes required to deliver efficiency savings. Detailed business cases are being developed for the next phase of the change programme and these will inform the future operating model. There is a good understanding of projected leavers and reductions in overall officer numbers. The force is clear of the need to maintain operational skills, particularly for serious and organised crime, counter terrorism or other areas of major threat, risk or harm. The force has not ruled out replacing police staff with police officers to maintain officer numbers. However, at the time of the inspection the force's plans for the future were not sufficiently developed to inform the future workforce mix and training requirements.

Summary of findings



Good

There is a clearly articulated and well-understood view of the short-term priorities for the force and the resources and skills required to achieve them. The force understands the need to develop the skills of its workforce and has a training plan in place for this year, enabling staff and officers to fulfil their roles and meet new demands for their service.

The force's change programme is ensuring workforce plans are closely aligned with demand as well as future organisational and financial requirements.

However, these plans for the future are not sufficiently developed to inform the force's future operating model and workforce mix, which are vital in providing affordable and sustainable services to the public in the future.

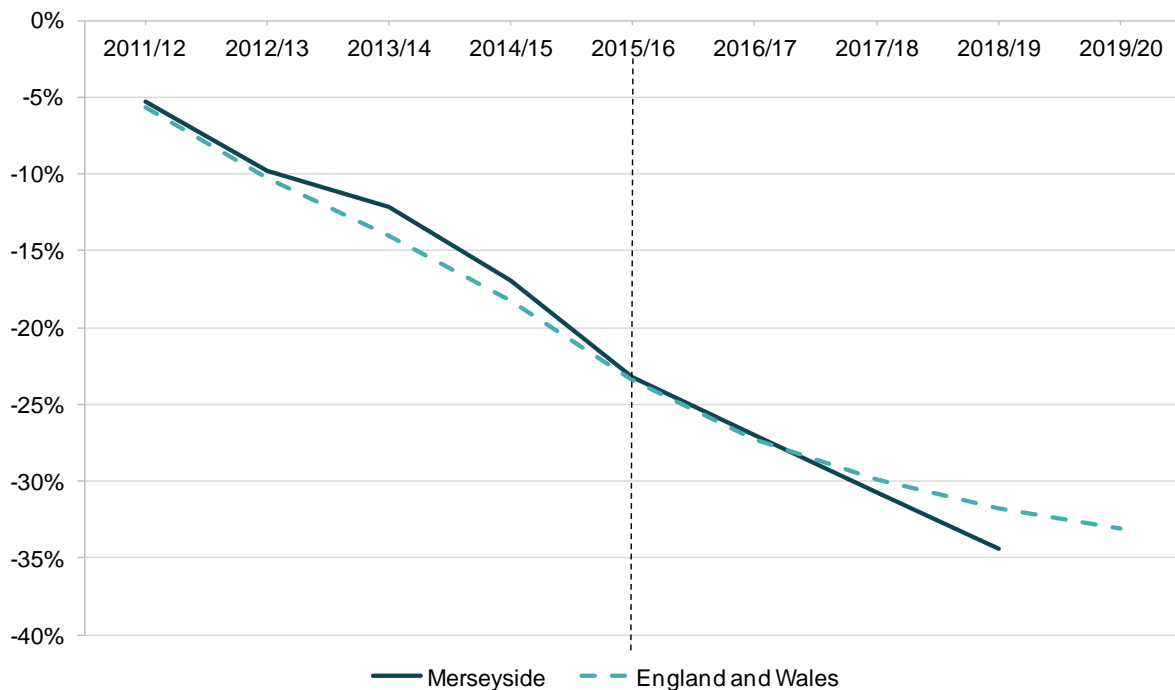
How sustainable is the force's financial position for the short and long term?

HMIC examined how forces have achieved savings over the spending review period, the saving plans that forces have developed for the future, and the assumptions forces have made in the understanding of the financial challenges ahead. We also assessed whether forces have good financial controls and governance, and if spending reflects the priorities outlined in the police and crime plan.

Has the force achieved its saving requirements and balanced the budget for the spending review period and 2014/15?

Merseyside police forecasted savings of £63.82m over the first four years of the spending review (2011/12 to 2014/15), the equivalent of 17 percent of the 2010/11 gross revenue expenditure for the force. Over the period, savings were made in both the pay and non-pay budgets, so as to balance budgets by 2014/15. Over the same period all forces across England and Wales forecasted a total savings requirement of £2.53bn, the equivalent of 18.2 percent of the 2010/11 gross revenue expenditure for England and Wales.

Figure 5: Estimated change in expenditure from 2011/12 to 2014/15, and forecast planned savings for 2015/16 to 2018/19, against the 2010 gross revenue expenditure baseline for Merseyside and England and Wales



Source: HMIC policing in austerity data, HMIC efficiency data collection and The Chartered Institute of Public Finance & Accountancy (CIPFA) Police Objective Analysis data

For further information about the data for figure 5 please see Annex B

During the same period, the force has reduced spending by more than the required amount, and these additional under-spends have been used to invest in initiatives designed to deliver additional efficiency savings such as a £3m investment in laptops and mobile devices. It has also been able to build up reserves in earmarked funds for the costs of future change, such as any restructure or changes to the force's estate.

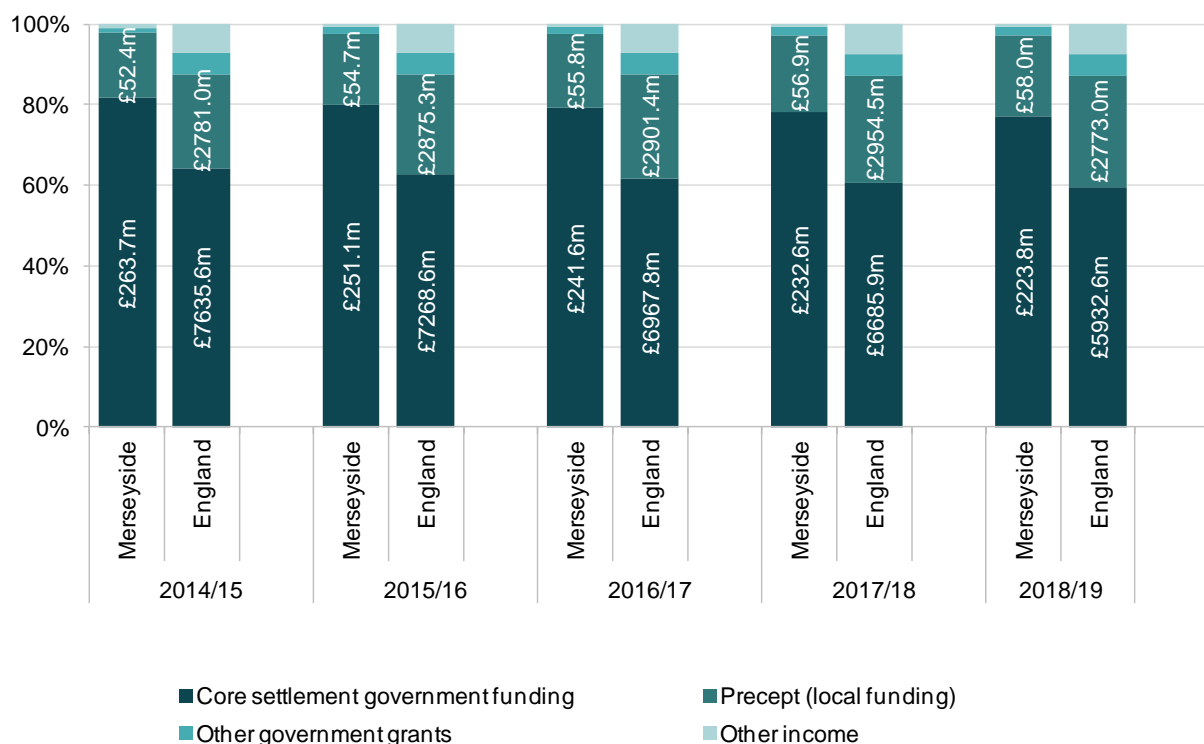
Has the force achieved a balanced budget for 2015/16?

The force has planned a balanced budget of £322.1m for 2015/16, which includes a cut in spending of £23.8m. It is forecast that the reduction will be split between £14m from the pay budget (59 percent) and £1.4m (6 percent) from the non-pay budget in this year's savings. The remainder of its spending reductions are being met by a use of reserves. Collectively the forecast reductions, since the 2010 baseline at the start of the spending review to 2015/16, represent savings of 23 percent.

How well has the force maximised other funding opportunities?

Figure 6 demonstrates the amount of funding that the force received from a central government grant, as precept from local councils through council tax, and from other sources, such as Home Office special grants. The force is expecting the proportion of its funding that comes from core settlement government funding to decline over the coming years, while anticipating the proportion of its funding that comes from precept (council tax funding) to increase over the same time period. It should be noted that the core settlement government funding, both monetary values and proportions of total funding, detailed in figure 6, are from force estimates collected as part of HMIC's efficiency inspection data collection. These data should not be considered as an official projection. The Home Office is currently consulting on changes to the forces' funding formula and therefore any current projections may change over the time period highlighted.

Figure 6: Forecast mix of funding for Merseyside Police in the 12 months to 31 March 2015 to the 12 months to 31 March 2019, compared to English forces



Source: HMIC efficiency data collection

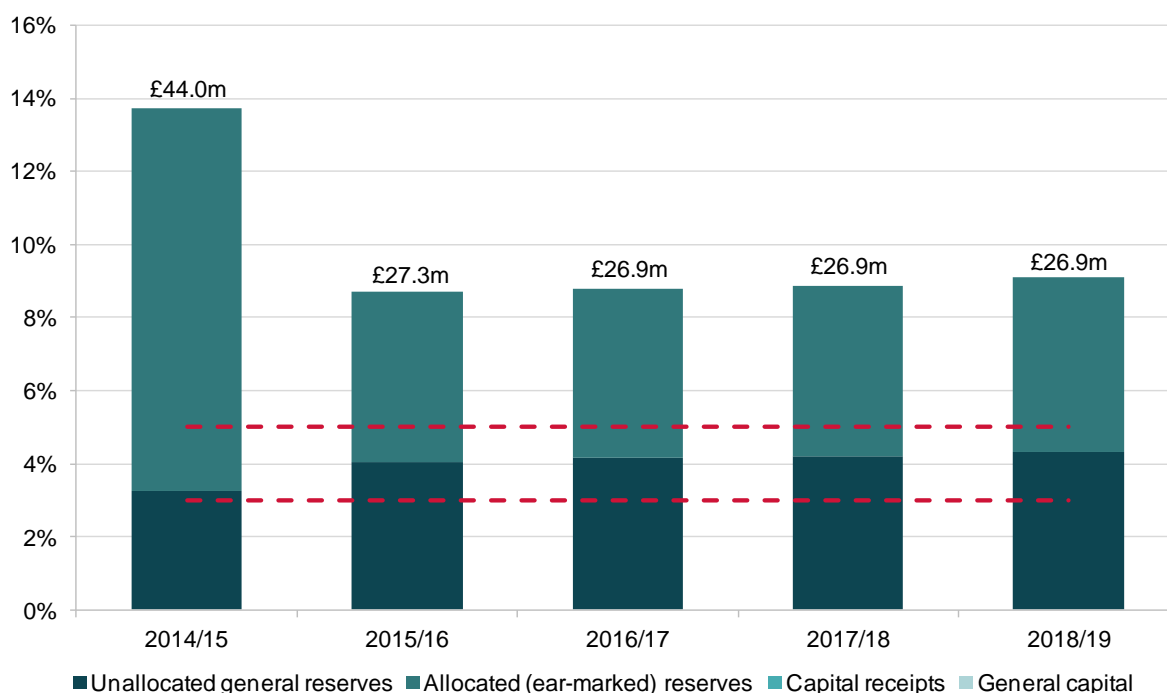
The force has made limited progress in generating other income, though it has been successful in a bid for police innovation funding. There is a risk that partnership funding for some officer posts will be reduced as partners experience similar budget cuts. This has the potential to impact on the long term future of these posts and the force's future financial plans.

How well does the force control expenditure?

The force's level of reserves and how these are forecast to change over time is shown in figure 7. The force reported that its total reserves were £44m in 2014/15. These are broken down into several categories:

- unallocated general reserves – a sum to cushion the impact of unexpected events or smooth uneven cash flows;
- allocated (ear-marked) reserves – these are reserves set aside for specific capital purposes;
- capital receipts reserves – these are proceeds from the sale of assets which can only be used for specific capital purposes; and
- general capital to support future planned capital expenditure.

Figure 7: Breakdown of reserves remaining as a proportion of in-year net revenue expenditure, and total reserves remaining (£), for 2014/15 to 2018/19



Source: HMIC efficiency data collection

For further information about the data for figure 7 please see Annex B

To ensure the force has a tight control of expenditure, the director of resources is a member of the chief officer team which enables good oversight and scrutiny of all day-to-day financial management as well as change and saving plans. Each BCU commander has a dedicated finance officer who is actively involved in the management of all devolved budgets, although this is changing with a move to more central budgetary control.

There is regular, rigorous budget monitoring and reporting to chief officers and to the office of the police and crime commissioner (OPCC). The force has consistently planned a balanced budget and under-spent by a reasonable margin each year of the spending review.

How well do the force's financial plans reflect the objectives set out in the PCC's police and crime plan?

The police and crime commissioner's police and crime plan is developed in conjunction with the force, and similarly, financial plans are jointly developed and managed to ensure that resources are directed towards priorities within the plan. For example, the matrix serious and organised crime department was set up to tackle one of the police and crime commissioner's priorities, and this has led to a significant reduction in the criminal use of firearms. Additional resources have been given to tackle other priorities such as human trafficking and cyber-crime.

How well does the force provide timely and relevant financial information to the office of police and crime commissioner (OPCC), and are shared assumptions used to develop current and future plans?

The OPCC works closely with the force. Information is shared in a timely way and the chief finance officer is engaged in the development of all financial plans.

How well developed are the force's plans for possible further savings?

The force has plans to realise savings of £14.16m in 2016/17, leaving a deficit of £9m, though it is developing further plans through its change programmes to find the remaining savings. Plans for 2017 will reflect fundamental change and will include savings from invest to save and change programmes in priority areas such as investment in IT and innovation, crime prevention, estates, and further staff engagement.

Summary of findings



Good

The force has controlled its expenditure well and achieved its total savings requirement over the last spending review period. It has a balanced budget for 2015/16 with total savings from the previous year of £23.8m from the change programme, reserves and limited savings from collaboration. The force has not fully explored other options to increase income.

Financial plans are aligned to the police and crime commissioner's priorities. The office of the police and crime commissioner (OPCC) works closely with the force and information is shared in a timely way, while the chief finance officer is engaged in the development of all financial plans.

The force has a good track record of achieving savings, though future plans beyond 2017 are not detailed and rely heavily on savings coming from the force's change programme.

The force has tight control of expenditure, which is helped through each basic command unit (BCU) commander having a dedicated finance officer, coupled with the fact that the director of resources is a member of the chief officer team.

Annex A – HMIC judgments

The categories are:

- outstanding;
- good;
- requires improvement; and
- inadequate.

Judgment is made against how efficient the force is at keeping people safe and reducing crime. In applying the categories HMIC considers whether:

- the efficiency of the force is good, or exceeds this standard sufficiently to be judged as outstanding;
- the efficiency of the force requires improvement because it is not yet performing at a good level, and/or there are some weaknesses in the organisation; or
- the efficiency of the force is inadequate because it is considerably lower than might reasonably be expected.

Annex B – Further information about the data

Figure 3

Planned changes to police officer full time equivalents (FTE) in operational frontline, operational support and business support roles in the force/constabulary, 31 March 2010 to 31 March 2018.

The data used in figure 3, for March 2010 and March 2015 is taken from the Home Office annual data return 601 and does not include workforce allocated under category '62 other' whereas the data used in figure 4 for March 2010 and March 2015 is taken from the Home Office annual data return 502 and is inclusive of this category. Therefore totals data may not match exactly.

Figure 4

Planned changes in workforce FTE from 31 March 2010 to 31 March 2018 for the force/constabulary compared to England and Wales. The figures in table 4 are rounded to the nearest whole person, full time equivalents (FTEs), and therefore may differ slightly to the exact figures quoted within the report.

For data as at 31 March 2010 and 31 March 2015 we have used Home Office annual data return data which is an 'actual' FTE, whereas for projections for March 2018 are budget based projections and therefore are likely to take into account a vacancy rate depending on a force's/constabulary's planning strategy. In some instances therefore an increase in budgeted posts may not actually indicate the force/constabulary is planning to increase its workforce. In other cases, forces may be planning to reduce their workforce but have a current high vacancy rate which masks this change.

Due to the complex and continually evolving picture of workforce collaboration between neighbouring forces, not all changes in workforce figures are real in terms of the workforce available. Involvement in strategic alliances and/or regional organised crime units (ROCU) would be an example of where changes over time are likely to be skewed. Therefore sharp increases or decreases over time need to be considered with caution as they may simply represent accounting changes related to how staff are allocated to forces, not real changes in staffing levels.

At the time of the inspection, the future financial climate was uncertain. Several forces were in a position where they did not have confirmed/signed-off plans for workforce projections. It is important to note that figures provided are in many instances unconfirmed estimates provided to assist HMIC in its inspection programme and should not be seen as a concrete plan for the future landscape of policing. These comments apply to figure 3 and figure 4.

Figure 5

Estimated change in expenditure from 2011/12 to 2014/15, and forecast change in expenditure for 2015/16 to 2019/20, against the 2010 GRE baseline for the force and England and Wales.

Figure 5 shows how force expenditure has changed over the period of the spending review, relative to the total change in expenditure for all forces across England and Wales. For 2015/16 onwards there has been a change in methodology in comparison to the value for money inspection programme. The savings requirement is no longer inflated gross revenue expenditure (GRE) minus expenditure but the sum of planned savings and use of reserves to bridge an in-year funding gap. This change is indicated by the vertical dashed line on the chart. The chart shows planned savings (including use of reserves to bridge an in-year funding gap) in future years, calculated using the planned savings for pay and non-pay budgets provided to HMIC at the time of the data collection (February 2015). Some forces only provided figures for savings they had formally signed off at that point, while others provided estimates for the whole period. Therefore small savings requirements do not necessarily equate to a small savings challenge for the future.

Figure 7

Breakdown of reserves remaining as a proportion of in-year net revenue expenditure, and total reserves remaining (£), for 2014/15 to 2018/19.

According to a survey of financial directors conducted by the Audit Commission,⁵ it is commonly considered that three percent to five percent of net revenue expenditure is a prudent level of unallocated general reserves for risk-based planning purposes. This range is shown on the graph by the two horizontal red dotted lines.

Please note that all categories of reserves for the force/constabulary are held by the PCC apart from City of London and the Metropolitan Police Service where reserves are held by the City of London Corporation and MOPAC respectively.

⁵*Striking a balance: Improving councils' decision making on reserves*, Audit Commission, December 2012. Available from <http://webarchive.nationalarchives.gov.uk>