



Inspecting policing  
in the public interest

# PEEL: Police efficiency 2015

An inspection of North Wales Police



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

## Overall judgment<sup>1</sup>



Good

HMIC found that North Wales Police is adequately prepared to face its future financial challenges. The force has managed its finances well. It has faced smaller than average reductions in its budgets and has therefore faced fewer job cuts, but it needs to do more work to plan how it will manage future reductions. In last year's value for money inspection, which considered how forces had met the challenge of the first spending review period, North Wales Police was judged to be good.

## Summary

HMIC judges North Wales Police to be good. The force has managed its finances well and has been able to minimise the impact of budget cuts on frontline policing. There has been only a small overall reduction in the size of the workforce. The force is working constructively in collaboration with other forces and with local partners. It has set itself a clear vision to improve policing and staff are working well to achieve improved services.




North Wales Police has recognised the importance of having a better understanding of demand in order to ensure that resources can be most efficiently used to prioritise and respond to the needs of the public. It needs to do more to ensure that police officers can work as efficiently as possible, through using new technology.

The current workforce model is aligned to the financial plans and the savings from workforce reductions to date are sustainable. However, the force has adopted a policy of employing more police officers than its budget allows and is using its reserves to balance the budget. This approach is not sustainable. North Wales Police is at the early stage of determining how the policing model may need to change to enable further cuts in staff numbers and provide sustainable and efficient levels of policing across North Wales.

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<sup>1</sup> Outstanding, Good, Requires improvement or Inadequate – see last page of report for definitions.

The force has planned a balanced budget throughout the spending review and has ended each year until 2014/15 with an underspend. This has meant that it has been able to build up a high level of reserves, some of which it plans to invest in the cost of future change.

<p><b>How well does the force use its resources to meet its demand?</b></p>	<p><b>How sustainable and affordable is the workforce model?</b></p>	<p><b>How sustainable is the force's financial position for the short and long term?</b></p>
<p> <b>Good</b></p>	<p> <b>Requires improvement</b></p>	<p> <b>Good</b></p>
<p>North Wales Police has recognised the importance of having a better understanding of demand in order to ensure that resources can be most efficiently used to prioritise and respond to demand. It has improved its understanding of demand and is managing demand better at the first point of contact.</p> <p>There are clear and rigorous governance structures in place which enable the force leadership team to maintain an overview of performance and progress across all business areas and savings plans. However, there is no overarching change programme for all those involved to understand the interdependencies between</p>	<p>North Wales Police has faced smaller reductions in its spending than most forces in England and Wales. It has been given extra income from council tax to partly offset government grant reductions. The force has therefore achieved its savings with below average cuts to the workforce and only limited change to the operating model. The force is currently employing more police officers than it has budgeted for, enabling it to meet all demands and it has been able to put extra resources in areas that are priorities. However this is only affordable because the police and crime commissioner is funding the cost of additional police officers from the currently high level of reserves; this</p>	<p>North Wales Police has a good track record of managing its finances, with a small reduction in police officer numbers. It has achieved its total savings requirement of £17.9m over the last spending review period. Throughout this period it has faced lower budget cuts than most other forces. The force has planned a balanced budget throughout the spending review and has ended each year until 2014/15 with an underspend. This has meant that the force has been able to build up a high level of reserves in earmarked funds for the cost of future change. The force has set a balanced budget for 2015/16 making savings of £4.5m.</p>

<p>all work streams, savings plans, reviews and other projects already implemented, currently in train, and planned.</p> <p>The force has been slow to develop an approach to investing in new technology to maximise efficiency through for example providing access to mobile data for frontline staff. This may slow the pace of change and is a potential barrier to enabling the force to manage workforce reductions with minimal impact on service.</p> <p>HMIC recognises the complex challenges that North Wales Police faces in developing effective partnerships both locally and regionally. We have been impressed by the clear efforts made by the force to pool resources as much as possible to achieve greater efficiency and more resilient services.</p>	<p>is not sustainable.</p> <p>The force is anticipating that it will need to reduce the workforce numbers to achieve future budget reductions, albeit still by a much smaller percentage than most forces.</p> <p>The force is at the early stage of designing a new operating model that can provide effective policing with fewer staff. It has not yet linked the design with the work on demand reduction or the future use of mobile data and agile working. North Wales Police is not therefore able to make decisions about the future model until more progress has been made in developing and co-ordinating a number of linked areas of work.</p>	<p>More money was saved than was needed and this enabled the force to have one of the smallest reductions in police officer numbers nationally over the spending review period.</p> <p>The extent the force collaborates with others is comparatively limited. It has made some use of external funding but was unsuccessful in a recent bid for investment in new technology.</p> <p>The force works closely with the police and crime commissioner and financial plans reflect the priorities in the police and crime plan. The detailed plans in place provide confidence that the force can deliver most of the savings required through to 2016/17. It is now developing further plans to reduce spending after 2016/17.</p>
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## The force in numbers



### Financial position

Forecasted change in expenditure 2015/16 to 2018/19



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



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



Proportion of police officers on the operational frontline 31 March 2010



Proportion of police officers on the operational frontline 31 March 2015



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





## Organisation

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

North Wales Police      England and Wales

**£105**

**£115**

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

North Wales Police      England and Wales

**£163**

**£165**



## Key statistics

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

North Wales Police      England and Wales

**-0.3%**

**+2%**

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

North Wales Police      England and Wales

**-18%**

**-16%**

Victim satisfaction 12 months to 31 March 2015

North Wales Police      England and Wales

**81.8%**

**83.8%**

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

North Wales Police      England and Wales

**No change**

**No change**

**Victim satisfaction:** North Wales confidence interval +/- 1.8 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. We 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 North Wales Police.

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

HMIC examined how well 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?**

North Wales Police has recognised the importance of analysing and understanding the demand for its services. A detailed analysis of all calls received in the force control room undertaken in 2013 provided a much more sophisticated understanding of the sources and the nature of demand. It was able to identify that half of calls received were either issues which ought to be dealt with by another organisation or issues which could have been avoided by the police providing a better response in the first instance.

The force carries out an annual strategic assessment which seeks to identify the key risks faced by communities across North Wales. This takes into account local, national and regional threats and risks and takes into account information from partner organisations across North Wales. Using this assessment the force is able to identify emerging crime types and assess the level of resources needed to provide an effective response. For example this year the force identified that it needed to increase its capacity to deal with child sexual exploitation and has put extra staff in to the team that investigates these crimes. It has also put extra resources in to the cyber-crime unit.

### **How well does the force match resources to demand?**

The force has recognised that the current allocation of resources between the three geographical policing areas in North Wales does not reflect the different demands on its services across the three areas. The way resources are allocated has evolved over time and has not been guided by any objective analysis of demand or needs. The force has recently reviewed how resources are currently allocated using more 'scientific' modelling techniques, including the Home Office budget allocation model and the Welsh index of multiple deprivation (there is a clear link between areas of high deprivation and demand for police services). It has found that the current allocation of resources across the three areas shows that the Western and Central areas get more resources than the Eastern areas.

This may mean that Eastern areas are disadvantaged but a more detailed analysis would be required to establish whether this was the case. Using this modelling, the force has also calculated that it could operate the current local policing service model with 51 fewer officers.

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

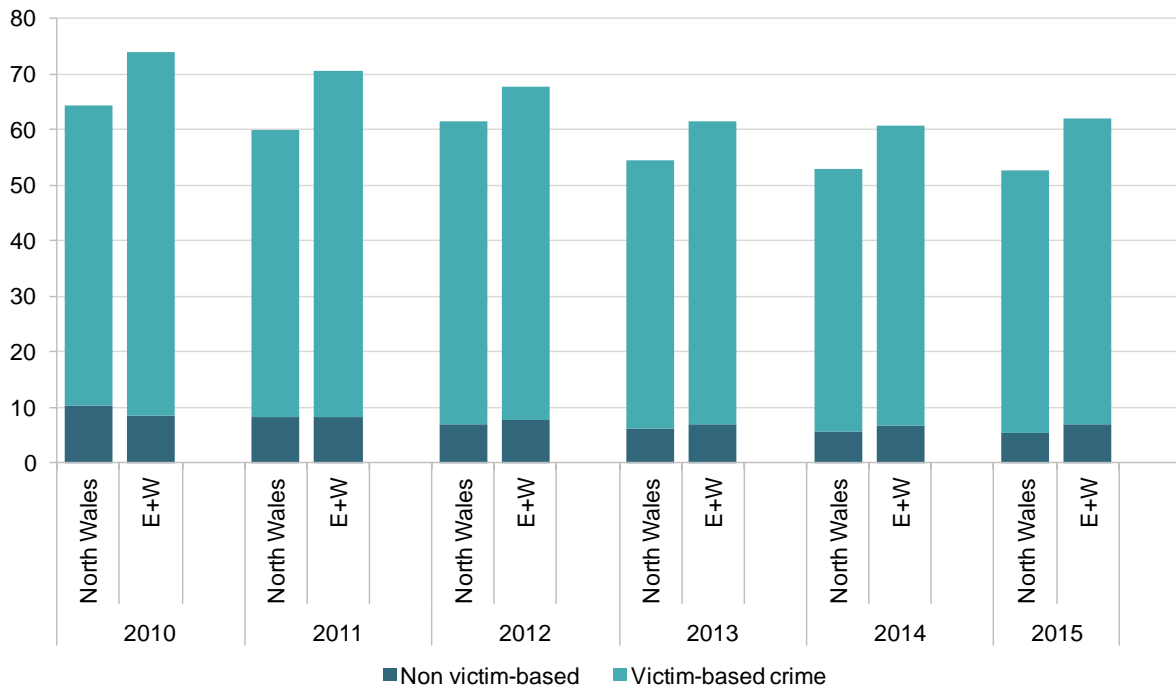
To assess the force's response to public demand, HMIC considered crime figures and rates in North Wales, victim satisfaction levels and whether the force is using different ways to communicate with and engage the public.

There is good performance on crime and anti-social behaviour reduction. However, public confidence and victim satisfaction remain low in North Wales and are well below the figure for other forces in England and Wales. The force is making efforts to address this situation and has put in place initiatives and a governance structure to improve confidence and satisfaction.

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 recorded crime is made up of victim-based crime (e.g. theft) and non victim-based crime (e.g. drug offences). 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 is likely to 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 North Wales had a victim-based crime rate of 47.3 and a non-victim-based crime rate of 5.3 per 1,000 population. This represents a decrease (12 percent) in the victim-based crime rate and a decrease (48 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 crime rate can be seen in Figure 1 on the following page.

**Figure 1: Police recorded crimes per 1,000 population from North Wales 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 North Wales, 81.8 percent<sup>2</sup> 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 percent<sup>3</sup> over the same time period. There has been no significant change in victim satisfaction between the 12 months to 31 March 2011 and the 12 months to 31 March 2015 in North Wales.

HMIC monitored how a force engages with the public as part of the inspection. Figure 2 below shows that North Wales Police use a range of methods (including Facebook, Twitter and email) to engage with the public.

<sup>2</sup> North Wales, confidence interval +/- 1.8 percent.

<sup>3</sup> England and Wales, confidence interval +/- 0.2 percent.

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

**Are the following communication channels being used by the Force?**

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Facebook	Yes
Twitter	Yes
Email	Yes
Text message	Yes
Web forum	No
Instagram	No
Local phone (not 999 or 101)	Yes

Source: HMIC Efficiency data collection

## **How well is the force managing demand?**

North Wales Police has recognised the need to reduce unnecessary demands on police time and is at the early stage of taking steps to better manage demand on its services. The improved understanding of the sources and nature of demand for police services coming in through the control room has helped it to identify where there is scope to reduce demand and improve the efficiency in the way resources are used.

The force recognises that not all calls for service require a police attendance. There are now more desk-based investigations carried out by the investigation support team based in the control room. This means that police officer time is being saved through not responding to calls and incidents that can be resolved satisfactorily without attending. There has been a reduction of calls into the control room which has enabled the more efficient use of call-handling resources, which can focus on dealing effectively with emergency and priority calls.

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

The force benchmarks itself against other similar forces to identify any areas where improvements may be made. There is a good use of HMIC value for money profiles to identify areas where savings might be made. However at the time of the inspection there had been little work done to understand what individual services cost and how the cost of the services compares to the outcomes achieved. This means it is difficult for the force to understand the future impact of reducing levels of service or to be certain that current services are providing value for money.

There is an action plan which sets out how the force will deliver the priorities in the police and crime commissioner's police and crime plan. There is a quarterly report to the police and crime commissioner highlighting progress against each strand of the plan.

There are clear and rigorous governance structures in place which enable the strategic planning board to maintain an overview of performance and progress across all business areas and savings plans. There are robust performance management arrangements in place. The force is actively moving away from a target-driven approach to measuring performance, towards one of responding to need and focusing on vulnerability. The processes still enable the force to monitor a range of performance measures with a quarterly review of the performance of each area of work. Performance is now assessed in the round, rather than just a narrow focus on numbers of crimes solved or numbers of burglaries. The leadership team considers the outcomes from a victim perspective, with a focus on protecting the most vulnerable in the community.

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

The force is open to learning from what works. North Wales Police demonstrates a clear willingness to look outside its own organisation to learn from what works elsewhere. The use of external challenge through consultants has speeded the pace of culture change through the use of a 'systems thinking' approach. However HMIC found that North Wales Police has been slow to maximise efficiencies through the use of new technology and in particular the use of mobile data. A recent bid was made for Home Office grant funding to provide mobile devices for officers, however this was unsuccessful and the force has budgeted to provide sufficient funding to provide these without external support. There is no long-term financial strategy for IT and digital policing.

North Wales Police has introduced an improvement programme, known as the 'Being Better' initiative. It has set a clear vision and set of principles for improving services, which is widely communicated and well-understood by staff. The force initially commissioned external consultants to help it develop an approach to continuous improvement using an approach known as 'systems thinking'. This has led to a range of improvement activities and savings plans at varying stages of development. While there are clear arrangements in place to monitor and oversee the progress of these plans, there is no overarching change programme that will ensure good management and oversight of the whole programme of change in its entirety, including any interdependencies between different strands of work.

The force works across a complex landscape of partnerships, alliances and collaborations. HMIC is encouraged that there has been some progress in working jointly with other public services across North Wales. The force is sharing its control room with the fire and rescue service, and seeking to encourage the ambulance service to do likewise. There is one multi-agency safeguarding hub<sup>4</sup> now working in Wrexham. However, the uncertainties surrounding proposed reorganisation of local government in Wales has led to a hiatus in the development of better partnership working with the six local authorities in the force area.

Because of its location, North Wales Police finds that there are frequently more benefits from collaborating with other forces in the North West of England than there are with other Welsh forces or other public sector partners in North Wales. There continues to be purposeful work with other forces to collaborate as much as possible. The force is part of the North West regional organised crime unit known as Titan, where police resources from across the North West are pooled to tackle the most serious crime that crosses county borders in the region. It also collaborates with Cheshire Constabulary to provide a joint firearms team serving both areas; both have achieved savings, as well as providing greater resilience and a better-equipped service than North Wales could have afforded on its own.

However, unlike many other forces, North Wales Police has been slow to harness the benefits of digital technology to make policing more efficient. The force participates in the 'Minerva Niche' collaboration with other police forces across England and Wales using the same IT system, which provides operational benefits and cost savings through economies of scale. There is more limited evidence that the force is making sufficient use of mobile technology to enable frontline officers to have access to police IT systems and information so that they can work efficiently and effectively without the need to return to a police station. Blackberry devices have been issued to staff but they have not had full access to police systems and are not widely used. Other technological tools to improve efficiency and service quality,

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<sup>4</sup> A multi-agency safeguarding hub (MASH) brings together staff from police and partner agencies, such as social services and health services who work from the same location, sharing information and ensuring a timely and joined-up response to protect children and vulnerable adults.

which are becoming commonplace elsewhere, are still not provided for North Wales officers, such as body-worn video cameras. At the time of the inspection HMIC found that there was only one body-worn video camera (BWV) available per shift in one area. A planned benefits study will consider whether to extend the use of BWV.

## Summary of findings



**Good**

North Wales Police has recognised the importance of having a better understanding of demand in order to ensure that resources can be most efficiently used to prioritise and respond to demand. It has improved its understanding of demand and is managing demand better at the first point of contact.

There are clear and rigorous governance structures in place which enable the force leadership team to maintain an overview of performance and progress across all business areas and savings plans. However, there is no overarching change programme for all those involved to understand the interdependencies between all work streams, savings plans, reviews and other projects already implemented, currently in train, and planned.

The force has been slow to develop an approach to investing in new technology to maximise efficiency through for example providing access to mobile data for frontline staff. This may slow the pace of change and is a potential barrier to enabling the force to manage workforce reductions with minimal impact on service.

HMIC recognises the complex challenges that North Wales Police faces in developing effective partnerships both locally and regionally. We have been impressed by the clear efforts made by the force to pool resources as much as possible to achieve greater efficiency and more resilient services.



## How sustainable and affordable is the workforce model?

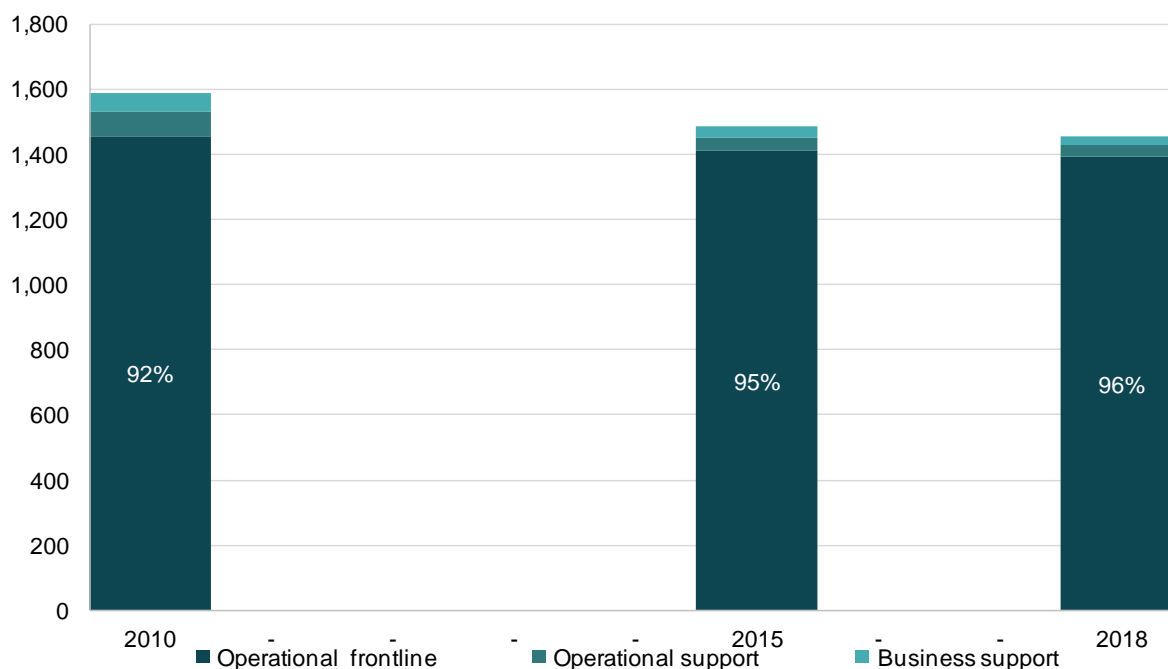
HMIC examined how North Wales Police has structured its workforce (i.e. its mix of police officers, staff and PCSOs, and the proportion of all these groups working in frontline positions) and assessed whether this was affordable and sustainable as the force responds to its financial challenge. We also 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?**

North Wales Police forecasted a total savings requirement over the first four years of the spending review (2011/12 to 2014/15) of £17.88m, the equivalent of 11 percent of the 2010/11 gross revenue expenditure for the force. Savings were made in both the pay and non-pay budgets. Since 2010, North Wales Police has seen a reduction of 103 police officers and 36 staff with an increase of 87 PCSOs full time equivalents (FTE).

In North Wales, 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 risen from 92 percent in 2010 to 95 percent in 2015. The force expects to increase 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 North Wales 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**

The current workforce model is able to match demand and the organisational requirements. However the force is operating with a higher than budgeted number of police officers. This position is unsustainable and it is only affordable because the PCC has agreed to fund the cost of additional police officers from the currently high level of reserves.

Since 2010 when central grants to police forces began to reduce as a result of the government's spending review, the PCC has sought to offset the grant cuts by increasing the element of local council tax paid to the police, known as the precept. Precept increases above the level of inflation have been agreed each year and as a consequence the overall impact of austerity on the force budget has been comparatively less severe than most other forces. In addition the Welsh Assembly Government has provided grant funding for extra police and community support officers (PCSOs) to all Welsh forces, which has allowed North Wales to increase the number of PCSOs it employs by 55 percent since 2010. Therefore the force has been able to manage its budget reduction so far with 2% reduction in the size of the workforce, one of the smallest reductions in police officer numbers seen in England and Wales. The force has also targeted additional resource to priority areas such as child sexual exploitation and cyber-crime.

Over the spending review period the force has reduced its spending by more than it needed to and has underspent its budget each year. The underspends have been added to reserves and set aside to invest in future change. The police and crime commissioner has recently agreed an approach of using some of these reserves to spend more than budgeted on recruiting extra police officers so as to enable newly recruited officers to become fully trained before they are placed in operational posts. The police and crime commissioner has agreed to spend £2.5m over the next three years from reserves for this purpose. There are currently 70 more police officers employed than budgeted for. The average costs per officer are around £45,000 per year which means that this number of posts over the planned establishment will be costing around £3m extra per year; this is not sustainable.

The force has organised local policing into three geographical areas, Eastern, Central and Western with ten district teams. Local policing is supported by force-wide specialist staff. This model was introduced in 2012. The force carried out a review of ways of working with a view to developing a more efficient and effective policing model which it trialled in one of its ten districts in 2013, known as the Flintshire experiment. The trial was developed from systems thinking reviews. Staff in the Flintshire area were given the opportunity to develop the model without any constraints or predetermined outcomes. The experiment identified that the way the force control room worked in conjunction with local policing was a barrier to effectiveness and an alternative model was proposed which would provide locally-based control rooms to facilitate more joined-up working. The model was unaffordable and so was not pursued; however the lessons learned through the exercise have informed further work on matching the operational model to better respond to demand.

## 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 North Wales 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	1,590	-6%	-12%	1,487	-2%	-6%	1,457
Police Staff	921	-4%	-19%	885	-4%	-6%	849
PCSOs	157	55%	-27%	243	-17%	-11%	202
<b>Workforce total</b>	<b>2,667</b>	<b>-2%</b>	<b>-15%</b>	<b>2,615</b>	<b>-4%</b>	<b>-6%</b>	<b>2,508</b>

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

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

There is as yet no clear vision for the future workforce model. The force is at the early stage of determining how the current model may need to change to enable further cuts in staff numbers and still provide a sustainable level of policing across North Wales.

There is a project currently looking at the options. The objective is to find a model that will be capable of operating with the reductions in the workforce that the force is anticipating it will need to make over the next three years. One of the biggest impacts on the future workforce will be the planned 17 percent reduction in the number of PCSOs across the force by March 2018. As part of this work the force has started to look at a more scientific approach to resource allocation models so that it can determine where to make the cuts so as to have an equitable impact across the three areas. The Welsh index of multiple deprivation (WIMD) has been determined as the most appropriate mechanism through which to allocate the PCSO resource. However if the force applied the WIMD approach to all police officer resources, it estimates that the current model of ten local policing districts would be unsustainable with the force being unable to provide a full resilient policing capability to the rural areas of Western and Central areas.

The force is carrying out a review of neighbourhood policing, which is expected to provide greater clarity about how the force sees the future for neighbourhood policing. The force has not as yet evaluated the potential impact on neighbourhood policing and on crime and anti-social behaviour reduction (through local problem solving and preventative policing) from the reduction of 41 PCSO posts across the force by March 2018.

The work on operational modelling and neighbourhood policing has not yet been linked with the work on demand reduction or the future use of mobile data and more agile working. The force is not yet in a position to make decisions about the future model until more work has been done in developing and co-ordinating the work in a number of linked areas.

## Summary of findings



**Requires improvement**

North Wales Police has faced smaller reductions in its spending than most forces in England and Wales. It has been given extra income from council tax to partly offset government grant reductions. The force has therefore achieved its savings with below average cuts to the workforce and only limited change to the operating model. The force is currently employing more police officers than it has budgeted for, enabling it to meet all demands and it has been able to put extra resources in areas that are priorities. However this is only affordable because the police and crime commissioner is funding the cost of additional police officers from the currently high level of reserves; this is not sustainable.

The force is anticipating that it will need to reduce the workforce numbers to achieve future budget reductions, albeit still by a much smaller percentage than most forces.

The force is at the early stage of designing a new operating model that can provide effective policing with fewer staff. It has not yet linked the design with the work on demand reduction or the future use of mobile data and agile working. North Wales Police is not therefore able to make decisions about the future model until more progress has been made in developing and co-ordinating a number of linked areas of work.

### Areas for improvement

- The force should ensure that its new operating model has a clear link to demand reduction and mobile data work and is able to provide effective policing with a smaller workforce.

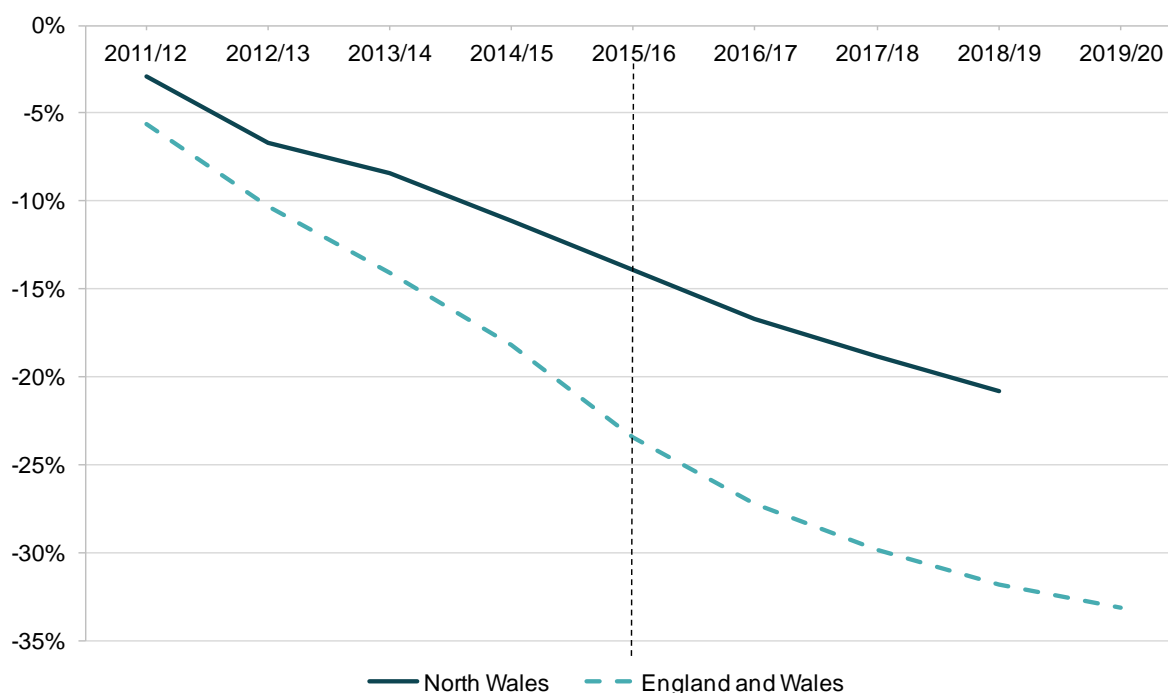
## **How sustainable is the force's financial position for the short and long term?**

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?**

North Wales Police forecasted savings of £17.88m over the first four years of the spending review (2011/12 to 2014/15), the equivalent of 11 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 forecast 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 North Wales 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**

The force has achieved its total savings requirement of £17.9m over the last spending review period. North Wales Police has faced comparatively less of a challenge than most forces in balancing its budget over this period. The police and crime commissioner and the force have sought to offset the impact of central grant cuts in each year by increasing the precept each year by more than inflation. As a result, precept income now makes up a larger proportion of total income for the force than the Welsh average and the residents of North Wales are currently paying more for police services through their council tax compared with the average for Wales, this can be seen in Figure 6.

The force has planned a balanced budget throughout the spending review and has ended each year until 2014/15 with an underspend. This has meant that the force has been able to build up a high level of reserves in earmarked funds for the cost of future change.

A fund has been earmarked to enable the force to recruit more police officers than it has budgeted for over coming years. The force is planning to use reserves to recruit an additional 50 new officers above the budgeted level, so that by the time the new recruits are fully trained they will be able to take up vacant posts as fully operational officers.

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

North Wales Police has planned a balanced budget of £154.9m for 2015/16, which includes a cut in spending of £4.5m. It is forecast that the reduction will be split between £3.1m from the pay budget (69 percent) and £1.4m (31 percent) from the non-pay budget in this year's savings. The force plans to meet its reduction in spend without using reserves as a bridge. Since the 2010 baseline, at the start of the spending review, this represents savings of 14 percent.

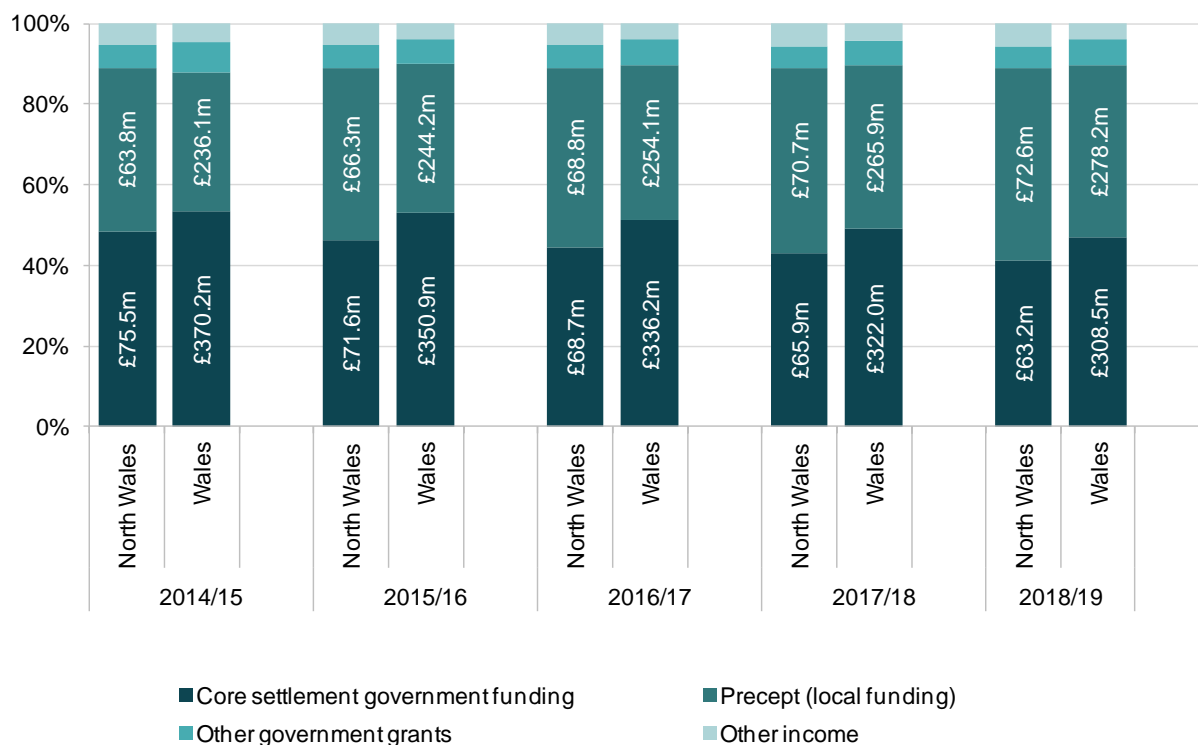
The force balanced its budget through a combination of savings from a range of savings projects and other budget cuts. At the same time, in 2014/15, there has been a 3.18 percent increase in the precept which was higher than previously assumed and meant that the force had a smaller funding gap than planned.

## **How well has the force maximised other funding opportunities?**

Figure 6, on the following page, demonstrates the amount of funding that the force received from central government grant, as precept from local councils through council tax, and from other sources, such as Home Office special grants. North Wales Police 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. This 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 North Wales Police in the 12 months to 31 March 2015 to the 12 months to 31 March 2019, compared to Welsh forces**



**Source: HMIC efficiency data collection**

There are some positive and constructive collaborations with forces in the North West of England, with all Welsh forces and with other partner organisations, which are enabling the force to work more efficiently and providing a more resilient police service. However, the amount North Wales Police spends in collaborated functions with other forces is comparatively small at five percent of net revenue expenditure in 2015/16 which is well below the average for England and Wales. The force is planning to explore other opportunities for collaboration over the period of the medium-term financial plan, although it is not planning to increase the proportion of spending above five percent.

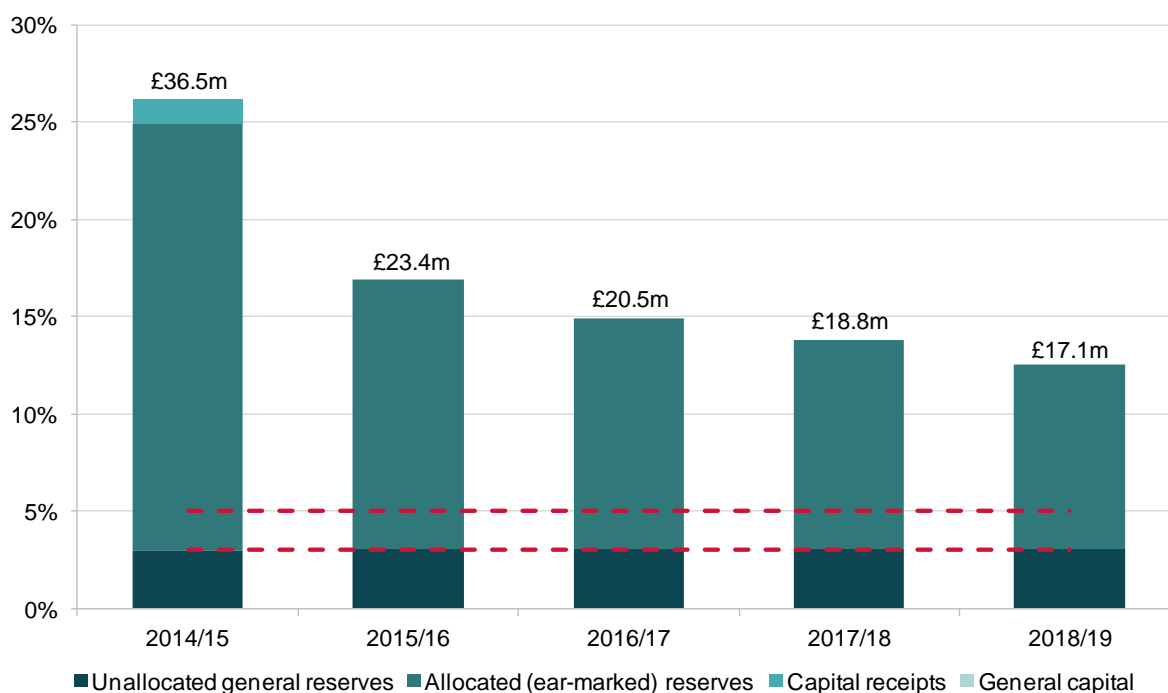
The force's Police Innovation Fund bid for digital policing was unsuccessful but there were two successful bids in 2015/16 to support developments in tackling child sexual exploitation and in dealing with people with mental health problems.

## 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. North Wales Police reported that its total reserves were £36.5m 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**

The force has a good track record of achieving savings, with a very small reduction in police officer numbers, through strong financial controls. Consistent under spending over this period has added to already high levels of reserves, however there is a plan to reduce the level of reserves to more realistic levels, using them to pay for additional police officers and to invest in change projects. Over the next four years the reserves are set to fall from £36.5m in 14/15 to £17.1m by 2018/19.

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

The financial plans are developed in conjunction with the office of the police and crime commissioner (OPCC) and reflect the priorities in the police and crime plan.

These are:

- prevent crime;
- deliver an effective response;
- reduce harm and the risk of harm; and
- build effective partnerships.

## **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 head of finance works closely and constructively with the OPCC and shared assumptions are used to develop future plans. There is regular and robust financial monitoring with reports to both the force strategic planning board and the police and crime commissioner. However, HMIC is concerned that there are some key risks in the force's medium-term financial plans, which may result in less income than is currently assumed.

When the government revised the formula through which it calculates the level of grant to individual police forces some years ago, it was clear that the new formula meant that some forces would gain significantly and some would lose significantly compared to previous levels. A damping mechanism was introduced so that the impact was minimised and the increases and decreases were limited through what was known as floors and ceilings grants.

North Wales Police has continued to benefit from the damping mechanism, by receiving a floor grant which adds around an additional £11m per year above the grant set by strictly applying the funding formula. The government is in the process of revising the police funding formula again and there is a risk that North Wales Police will at some point in the future have its grant reduced as a result.

In addition the force is assuming that annual precept increases will continue to be awarded (a 3.8 percent increase in 2016/17, then 2.8 percent in both of the next two years) – with continuing public sector austerity there is a risk that this may not be the case. The extra grant funding for PCSOs from the Welsh Assembly Government is not guaranteed to continue in the longer term.

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

The force has identified an additional £4.5m savings in 2015/16 and is currently anticipating that it will need to save a further £11m between 2016/17 and 2018/19. There are detailed plans in place that provide confidence that the force can deliver the savings required through to the end of 2019/20, with only a small budget gap at this stage. The projects already under way will achieve some of the subsequent savings and the force is now developing further plans to reduce spending from 2016/17 to bridge the outstanding gap.

### Summary of findings



**Good**

North Wales Police has a good track record of managing its finances, with a small reduction in police officer numbers. It has achieved its total savings requirement of £17.9m over the last spending review period. Throughout this period it has faced lower budget cuts than most other forces. The force has planned a balanced budget throughout the spending review and has ended each year until 2014/15 with an underspend. This has meant that the force has been able to build up a high level of reserves in earmarked funds for the cost of future change. The force has set a balanced budget for 2015/16 making savings of £4.5m.

More money was saved than was needed and this enabled the force to have one of the smallest reductions in police officer numbers nationally over the spending review period.

The extent the force collaborates with others is comparatively limited. It has made some use of external funding but was unsuccessful in a recent bid for investment in new technology.

The force works closely with the police and crime commissioner and financial plans reflect the priorities in the police and crime plan. The detailed plans in place provide confidence that the force can deliver most of the savings required through to 2016/17. It is now developing further plans to reduce spending after 2016/17.

## 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. 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,<sup>5</sup> 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.

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