

**Joint Report of the Chief Executive and Chief Constable to the Chair
and Members of the Police Authority Executive
4th August 2011**

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Status: For Noting**

Project I - Finance and Contract Update

1 Executive Summary

- 1.1 Members approved, at their meeting on the 15th June 2010, to enter into a £175m Strategic Partnership Agreement (SPA) with Steria which would save the Authority £49.8m over the following 10 years. The partnership commenced on the 1st July 2010 and on the 1st October 514 Cleveland Police staff TUPE'd to Steria.
- 1.2 The Project I Final Report, approved by Members, outlined:
- That 126 staff transferring to Steria on 1st October 2010 would not be needed to deliver services, and would be redeployed from the initial services transferring under the SPA.
 - Of the 126 staff to be redeployed, Steria have committed to provide new opportunities and employment continuity for 56 staff.
 - Cleveland Police committed to provide as a minimum 70 police officer posts suitable for civilianisation which could be undertaken by the remaining 70 staff in the redeployment pool.
 - These commitments underwrite the SPA requirements and create the new opportunities offering employment continuity for the 126 displaced staff.
- 1.3 Further to the initial outsourcing agreement Members approved, as part of the process of meeting the Authority's contractual arrangements in relation to the displaced staff and to generate further savings while at least maintaining current service levels, to outsource 2 further areas. These were the Crime Management Unit (CMU) and Resilience & Operational Planning Services (ROPS) (previously the Emergency & Event Planning and the Risk, Resilience and Safety units).

2 Purpose

This report is to update Members on all of the changes that have been made to the contract since June 2010, the current position in relation to the remaining risk, to the Authority, of the redeployment pool and the plans and timeframes to address this risk.

3 Recommendations

Members are asked to:

- 3.1 Note the contents of the report
- 3.2 Note the initial contract value has increased by £8.1m from £175.2m to £183.3m as a result of the changes made to the contract, Appendix A refers.
- 3.3 Note the reported savings on the initial 10 year contract have increased by £21.1m from £49.8m to £70.9m, Appendix B refers.
- 3.4 Note that the savings of £70.9m over the 10 year period will be delivered without any reductions in any services and represent a saving of 27.9% against the comparable budgeted baseline.
- 3.5 Note that, through the outsourcing, the Authority can reduce the number of Police Officers in roles that do not require warranted powers by 163 FTEs and therefore it can reduce its Police Officer establishment by 163 FTEs without impacting on any 'front line' posts or reducing any 'back office' services.

4 Reasons

- 4.1 Since approval by Members on the 15th June 2010 to enter into the contract with Steria certain areas within the original agreement have required slight amendments and/or changes to reflect the changing wants or needs of the organisation. These changes have been reflected in the contract documentation, along with the changes needed as a result of the decision to outsource the additional areas of the Crime Management Unit (CMU) and the Resilience & Operational Planning Services (ROPS) unit.
- 4.2 Impact of Additional Outsourcing
- 4.3 The changes to the contract resulting from the decision to outsource CMU and ROPS were agreed during June, this was done so under the delegated Authority that Members gave to the Chief Executive and Chief Constable at their meeting on the 15th April 2011.

- 4.4 The impact of this was to increase the contract value by £11m over the remainder of the 10 year contract period whilst increasing the savings over the same period by £9.3m.
- 4.5 The responsibility for CMU transferred to Steria from the 1st July 2011 and resulted in the TUPE of 3 members of support staff. The transformation of this unit will release 22 Police Officers back to 'front line' services and reduce the redeployment risk of the Authority by 12.
- 4.6 The responsibility for ROPS will transfer to Steria from the 1st September 2011 and will see 7 members of support staff TUPE to Steria. The transformation of this unit will release 11 Police Officers back to 'front line' services and reduce the redeployment risk of the Authority by 9.
- 4.7 Impact of Other Agreed Changes
- 4.8 Camera Enforcement Unit (CEU)
Due to operational requirements the Camera Enforcement Unit was removed from the scope of this contract. The impact is that the contract price has reduced by £0.8m while the savings have been reduced by £1.6m over the 10 year contract.
- 4.9 Members will recall that at their meeting on the 15th September 2010 a Business Case to enter into a Collaborative arrangement with Durham Constabulary in relation to Road Policing and Firearms Operations was approved. This Business Case included the Camera Enforcement Unit within its scope. Both projects were reviewed to determine which was better placed operationally to deliver this function going forward. Members will recall that this Business Case, although with a wider scope than just the Camera Enforcement Unit, estimated the savings from its implementation to be £330k per annum.
- 4.10 Training
Members will recall that one of the issues with the initial phased release of Police Officers from their 'Back Office' roles was that this was occurring quicker than 'Front Line' roles were likely to become available. The delayed release of the Police Officers from within training has therefore helped with this process while it has also been possible to negotiate a £1m reduction in the contract price for 2011/12 given that the Authority will provide the Police Officers within this function for 1 year more than initially anticipated. The cost to providing these Police Officers for that additional year is £1.8m, while this has reduced the savings on the contract it has not impacted on the overall finances of the Authority as it was not possible to release Officer quickly enough to realise these savings. This will have no impact on the availability of Police Officers for 'Front Line' roles.

4.11 Due Diligence

The final part of the due diligence on the original TUPE list revealed several individuals who were performing tasks/jobs that Steria had included within their solution but who were not within the initial baseline of the comparable budget. The identification of these individuals has increased the savings to the Authority by £1.7m over the 10 years of the contract.

4.12 In addition to the above, 10 budgeted Police Officer vacancies were generated during the process of entering into this contract within the control room and a further 6.7 within P&OD. As a result of the transformation of these areas these posts will not need to be filled. As the costs of the vacancies were originally excluded from the budget that the contract price was compared against it is appropriate to increase the base budget to now include these posts and increase the savings from entering into this contract. This increases the savings, from those originally reported by £8.2m across the contract period.

4.13 Along with budgeted Police Officer vacancies there were also 10 budgeted staff vacancies that existed within Control and ICT. The costs of these posts were budgeted at £365k per annum. This funding is currently being used to help fund the transition and pay for legal and advisor fees. The budget should however be available for release in 2013/14. Once this has been taken into account the savings on the contract increase by £2.7m over the remaining contract life.

4.14 Reduced Pension Contribution Rate

At the time of entering into the contract with Steria the Actuary for the Local Government Pension Scheme calculated that Steria should pay an Employers Pension contribution rate of 15.7%. At the time of agreeing the contract the Authority entered into a 'pooled' pension arrangement so that the Pension Fund would treat both the remaining Authority employed support staff and the TUPE'd staff as effectively still being one larger pool of contributors to the Pension Fund. There were many benefits of doing this, the main one being that the Employers Pension contribution rate would be calculated based on the whole pool and not 2 separate smaller pools. As such the employers' contribution rate for Steria has reduced to 14.3%, which is the same as the Authority's contribution rate for the retained support staff. The impact of this reduction is, if this rate remains unchanged for the life of the contract then the contract price will reduce by £1.1m and the savings will increase by the same amount. At this stage the contribution rate is fixed for the next 3 years and will subsequently be reviewed by the Actuary thereafter.

4.15 Overall Impact of Contract Changes

4.16 As can be seen from Appendix A the overall value of the contract has increased from the original £175.2m to £183.3m as a result of the areas mentioned above.

4.17 In addition to this, and as profiled in Appendix B, the savings resulting from the contract have increased from the original £49.8m to £70.9m.

4.18 **The Redeployment Pool**

4.19 Members will recall that, as per 1.2 above, the Authority entered into the original contract with the agreement to provide as a minimum 70 police officer posts to Steria, however with an expectation that this would be closer to 100. These posts would be suitable for civilianisation which could be undertaken by the 70 redeployment pool staff.

4.20 As a result of the removal of the CEU from the scope of the contract, the additional outsourcing of CMU and ROPS and some retirements from the TUPE'd staff the contractual responsibility is for the Authority to find a further 47.5 FTE roles for redeployment.

4.21 The timing with which the 47.5 FTE staff are expected to be redeployed, and the estimated cost of them being within a redeployment pool is shown in the table below.

Month	FTE to be Charged	Estimated Monthly Cost @ £35k per FTE	Estimated Cumulative Cost @ £35k per FTE
		£k	£k
July	18.5	54	54
Aug	23.5	69	123
Sept	25.5	74	197
Oct	27.5	80	277
Nov	36.5	106	384
Dec	41.5	121	505
Jan	41.5	121	626
Feb	41.5	121	747
Mar	41.5	121	868
April	47.5	139	1,006

4.22 **Internal Business Cases**

4.23 **Scientific Support**

4.24 Members approved at their April meeting that an internal solution for Scientific Support would be delivered and that this business case would be presented to the P&R panel to monitor the delivery of the significant savings from this internal transformation.

- 4.25 These plans were based on the release of 10 Police Officers from the Scientific Support function with the service being delivered from the reconfiguration of staff within the function and therefore no impact on the redeployment pool. The total costs of providing this reconfigured function, in the period to the end of September 2020, are £11.8m. This provides savings of £4.9m, against the current budget, over this same period.
- 4.26 Prisoner Handling Team (PHT)
- 4.27 Members initially approved to outsource part of this function at their meeting in April. The part approved for outsource utilised 33 police officers and 10 police staff. Steria's proposal was for the activity to be undertaken by 4 police officers, 10 retained police staff and 21 outsourced staff. These proposals removed 21 people from the redeployment pool and saved the Authority £7.7m over the remaining contract period.
- 4.28 However, written legal advice from Counsel, received on 22nd April 2011 set out some considerable restrictions on outsourced staff which had not been made known when Counsel previously reviewed the business case.
- 4.29 As a result Members agreed at their meeting in May not to outsource PHT and instead agreed to progress with an internal solution that delivered the following:
- Retains more police staff who face fewer legal restrictions on the functions they can perform.
 - Greater capacity and the resilience needed to maintain current performance levels.
 - Saving of £5.859m over the nine years and one month from 1st September 2011 to the end of the current contract.
 - Potential to remove nine people from the redeployment pool.
- 4.30 With the above in mind the contract with Steria has been expanded to explicitly support the transfer and secondment of staff on the redeployed pool into internal business cases approved by Members. The new arrangements include: -
- A reduction in the redeployment obligation as staff that initially transferred to Steria leave (through retirement or to other employment).
 - An explicit arrangement for Steria to either second or support the transfer of employees to Cleveland Police to be utilised within internal business cases.
- 4.31 Once the timing of the employment of suitable candidates has been determined to fill the 9 roles within PHT the Authority will still have a significant risk and cost associated with 38.5 FTE employees remaining on the

- 4.32 It is vital that this is addressed as soon as possible as it was initially envisaged that the staff in the redeployment pool would now be undertaking the work that Police Officers previously did but for which they do not require warranted powers. Until these staff can be redeployed into those roles then the Police Officers currently undertaking them can't be released to the 'front line'.

4 Implications

4.1 Finance

There are no financial implications other than those discussed in the report.

4.2 Diversity & Equal Opportunities

There are no Diversity and Equal Opportunities implications from this report.

4.3 Human Rights Act

There are no Human Rights Act Implications from this report.

4.4 Sustainability

The changes to the contract will deliver efficiencies that further help to meet the financial challenge from the reduced Grant Settlements as set out in the LTFP, while maintaining service levels for support functions and protecting frontline services.

4.5 Risk

The risks of the delivery of these savings have not increased as a result of the changes to the contract. Primarily they remain the same from a financial perspective:

- If Police Officers do not leave the Force on attainment of their 30 years service then additional costs will be incurred due to being over establishment.
- The failure to address the redeployment pool in a planned and timely manner will lead to unnecessarily incurring contractual costs and additional costs for staff.
- The redeployment pool must be planned in a timely manner so that Police Officers being retained in 'Back Office' functions that do not require warranted powers can be released to maintain the 'front line'.
- Comparable posts must be provided for the remaining redeployment pool staff that the Authority has a contractual responsibility for, to ensure no additional costs are incurred.

6 Conclusions

- 6.1 Some significant changes have been made to the Project I contract since it was initially entered into in June 2010. The initial changes increased the savings in the earlier years of this contract to coincide with the financial challenges that the cuts in Government Funding brought. Where changes have been made they have been implemented without the need to impact on either the contracted service levels or front line Police Officer numbers.
- 6.2 The changes made through change controls and the decision to enter into further outsourcing has resulted in the overall Contract Value increasing to £183.3m from £175.2m while the initial savings of £49.8m have increased significantly to £70.9m.
- 6.3 The challenge of delivering the transformation of the organisation to deliver the savings required to meet the Government cuts, in a way that does not impact on 'Front Line' services, has benefited significantly from the work done in both entering into this contract in the first place and then extended it to drive additional savings. To further enhance this and to maximise the opportunity for delivering excellent value for money services the remainder of the redeployment pool has to be fully utilised as soon as possible to return as many Police Officers as possible to 'Front Line' roles.

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