

Report to the Thames Valley Police & Crime Panel

Title: Report of the Thames Valley Police & Crime Panel Budget Task & Finish Group

Date: January 2016

Author: Chairman Budget Task and Finish Group



Background

1. As in previous years, the Thames Valley Police & Crime Panel formed a Budget Task & Finish Group to assist in discharging its statutory duty to scrutinise the Police & Crime Commissioner (PCC) for Thames Valley's proposed council tax precept for 2016/17. The process will be formally undertaken at the 29 January 2016 meeting of the Panel where a decision will be made by the Panel on whether to accept or veto the PCC's proposed precept.

2. To strengthen the process, it was considered by Panel members to be important to evaluate the budget that the precept partially funds, allowing the Panel to make an informed decision on the adequacy of the precept when it meets on 29th January. This was the work undertaken by the Budget Task & Finish Group.

3. The relevant papers were published into the public domain in draft form for consideration at the PCC's Policy, Planning & Performance meetings on 29th October 2015 and 18 January 2016. They included:

- i. Four Year Medium Term Financial Plan
- ii. Draft Capital Programme 2016/17 – 2019/20
- iii. Reserves, Balances and Provisions
- iv. Financial Strategy 2015 (discussed in October only)

4. The Budget Task & Finish Group met on 9 December and again on 26th January to consider the budget proposals, which included a proposed increase to the police element of the Council Tax of 1.99% - per annum in each of the next four years. The Task & Finish Group formulated its view on the adequacy of the precept and agreed the recommendation to the Panel at paragraph 5, subject to satisfactory responses to the questions raised at Appendix B and any other supplementary questions asked at the Panel meeting on 29th January.

5. RECOMMENDATIONS

1. That the Panel approve the Police and Crime Commissioner's precept for 2016/17 as set out in the OPCC report 'Revenue Estimates 2016/17 and Medium Term Financial Plan 2016/17 to 2019/20' subject to satisfactory responses to the questions raised at

Appendix B and any other supplementary questions asked at the Budget Task and Finish Group on 26 January and the Panel meeting on 29 January 2016.

- 2. That the Panel add, if necessary, its support to the PCC's representations to the Home Secretary with regards to the setting of the revised Funding Formula.**

Budget Task and Finish Group Meeting – January 2016

Ian Thompson Chief Finance Officer, OPCC and Linda Waters Director of Finance outlined the changes to the Medium Term Plan (MTFP) following the provisional Police Grant settlement for 2016/17. Following the Autumn statement there were real terms cuts predicted of 25-40% over the next four years (2016 – 2020) but in December 2015 the provisional settlement for the Police was much better than expected. Mike Penning Minister for Policing announced a flat rate reduction in grant funding of 0.6% in cash terms. The headline from the Home Office is that no PCC will face a cash reduction in Formula Funding plus legacy council tax grants plus precept income (as long as they maximize the precept at 1.99%). The cash increase in external funding for Thames Valley is £4m or 1.1%. This acknowledges that the police service cannot continue to cut overall resources whilst addressing the threat, harm and risk levels currently faced. This provisional settlement covers just one year.

The main changes highlighted as a result of the provisional settlement and the papers issued for the PCC's Policy, Planning & Performance meeting in January 2016 are as follows:-

- The final settlement for the budget will be available on 3 February 2016 when there should be some more information about top slices to the budget and grant funding for future years.
- **Top-slices** are worth £218m (up from £164.6m in 2015/16), nationally in 2016/17 and the Home Office has introduced a new Transformational Fund worth £76.4m in 2016/17. £34m was for firearms, £4.6m for Digital Justice and £37.8m for new funding to tackle specialist capabilities such as cyber-crime.
- There is additional funding for **Counter Terrorism and Grant allocations**. At a national level, this will increase from £564m in 2015/16 to £640m in 2016/17 with a further £30m to allocate in capital funding. Individual forces will be notified of their allocations in the New Year. The Police settlement made specific reference to increasing the number of Armed Responses Vehicles (local resource) and Counter Terrorism Specialist Firearms Officers (regional resource).
- In terms of the **Emergency Services Network** in 2016/17 the top slice is worth £80m, with an expected increase to £170m in both 2017/18 and 2018/19 before reducing to around £60m in 2019/20. Information is still awaited on the split between core Home Office funding and the amount to be reallocated through specific grants to individual forces. Because of delays in awarding the national contract ESN is due to be implemented in TVP with effect from January 2018. Funding for this area is still uncertain and further information is awaited from the Home Office. There were further uncertainties with Fire Service funding and ancillary equipment.
- The Ministry of Justice has recently confirmed that **victims funding** will be maintained at 2015/16 cash levels.
- The **Innovation Fund** is £55m of which approximately £20m has already been allocated under previous years' bids. Any award from this Fund would improve the Force's assumed revenue and capital funding position. There should be an announcement on this on or before 27 March 2016.

- Police efficiency will be improved by taking steps to drive down the cost of police **procurement and encouraging greater collaboration** between police forces and with other public and emergency services. Thames Valley Police have recently restructured their Procurement Department to ensure that the most cost effective solution is achieved throughout all contracts.
- There are no further developments with regard to the **Police Formula Review** which leaves uncertainty for the 2017/18 budget. The Home Secretary was clear that reform should continue at the same pace despite the delay in the funding formula.

Thames Valley (allocations and implications are set out in para 36 – 43 of the PCC report)

- The recommended **net revenue budget** for 2016/17 is £386.396m which represents an annual increase of £3.723m or 0.97%. The revenue budget is fully balanced in 2016/17 with the delivery of £15.61m of savings and a 1.99% increase in Council Tax (the referendum limit remains at 1.99%). The Medium Term Financial Plan is balanced in all four years which has been possible through the identification of £36.02m of budget cuts.
- The **Capital Plan** for 2016/17 to 2019/2020 comprises schemes costing £69.133m gross expenditure which includes £5.505m of projects previously identified in last year's capital plan which have been rephrased to allow for planning and tendering procedures. The Plan is fully funded but requires the use of up to £1.493m Improvement and Performance reserve. No external borrowing is needed but at the end of the four year capital programme period all available capital reserves will have been fully utilised (this did not include Gowell Farm see Appendix A). There is a review of the Thames Valley Police Estate which would help generate capital.
- The impact on **police officer and staff numbers** next year (2016/17) is a net reduction of 95 police officer posts and a reduction of 161 police staff and 51 PCSO posts (para 77 (page 51 of the agenda). The reductions are due in some part to the unprecedented increase in employer's national insurance (£6.4m). The Force is looking at a different model of volunteering for the police force and recruiting special constables for specialist roles. They are also looking to redeploy police officers into high priority areas such as Domestic and Honour Based Violence. A question was asked about whether police officers were redeployed from neighbourhood teams and the need to ensure that they were maintained at the current levels. Linda Waters reported that they were not redeployed from a particular area. This was being addressed through the Productivity Strategy and the Priority Based Budgeting Review. This was an ongoing review for the next two years to look at managing demand but which area police officers were being taken from had not yet been identified. In terms of the Neighbourhood Policing Review this was another big piece of work and the Chief Constable had categorised this as core policing. Again the Force were looking at allocating the appropriate amount of resources across the Thames Valley area. Another question was asked about PCSO's and it was clarified that the reduction in PCSO posts were where partners are withdrawing their funding. The number of PCSO posts would be reviewed as part of the new operating model.
- The budget protects and provides some **increases in priority service areas**. Resources are being reallocated to address new and complex threats such as rape, child sexual abuse and domestic violence. There is an increase in resources for the Child Abuse Investigation Unit of 28 posts. Alongside an expectation of a significant increase in demand for police services there is also an increase in population with more houses being built in the Thames Valley. A question was asked about the increase in resources to the CAIU and the comment in the report that with the demand continuing to increase that this was not sufficient to continue

and improve, the investigative response and support to victims. Linda Waters reported that this was being revisited and the Force were looking at having a mix of civilians and police officers which was a more efficient way of addressing this issue.

- There was additional growth of 7 FTE posts for the Oxfordshire **Multi Agency Support Hub (MASH)**. In answer to a question Members were informed that as this was the first MASH to be set up, it had been undertaken on a smaller scale and the increase in posts ensured that staffing in Oxfordshire was consistent with other MASH set up more recently in the Thames Valley. In terms of partnership work other agencies put in their own resources (e.g staff) for the MASH rather than allocate specific funding to Thames Valley Police.
- Thames Valley Police have identified a need to do more to build trust between the police and the public. However, anticipated savings from the implementation of the new Contact Management Programme have been slipped from 2016/17 due to technical delays which has reduced savings for 2016/17 by £1.9m. A Member expressed concern that the Productivity Strategy savings were front loaded into the first year and some Programmes had already slipped. Linda Waters reported that the Contact Management Programme should be fully working in April 2017. The Enterprise Resource Planning System had also slipped which had led to reduced savings in 2016/17. Savings were not front loaded but steep savings were required over a short period of time. This was also being experienced by Local Authorities.
- The new five year ICT delivery strategy, with a blended workforce model and rationalisation of systems and systems support between Hampshire Constabulary and Thames Valley Police is due to save £6.4m over the MTFP period.
- The Plan does not currently include provision for future development of the Digital Policing Programme (DPP) as these plans are still being developed. Business cases are expected to be available by the end of March 2016. It is anticipated that a further Capital Plan update would be presented to the PCC early in the new financial year (June/July) to reflect any Home Office awards relating to the Innovation funding and provide further information on future Digital Policing costs.
- In answer to a question Ian Thompson reported that he was happy with the level of reserves currently held.
- The Asset Management Plan would be reissued in July/July this year.
- The PCC is happy that the proposed budget will support the delivery of the Police and Crime Plan including the Chief Constable's annual delivery plan objectives.

Priority Based Budgeting Review

This review process undertaken by Thames Valley Police has challenged the majority of the organisation to identify the resources required to deliver priority services. A series of Panels were chaired by the Chief Constable or his Deputy. The first Panel looked at the baseline of each service level, the second Panel method and service level changes and the third, prioritisation of services. Areas looked at included providing services at a bronze standard rather than gold, the minimum legal requirements and whether the police were providing a service which should not be their responsibility. There were four work groups:-

- Demand – understanding the causes of demand and hence how we respond including mitigation e.g. appropriate police resourcing for mental health issues (triage project), whether shoplifting offences should be a lower priority, rape is a high priority complex crime but now is a bulk crime due to significant increased numbers and reporting and requires significant resources to investigate.

- Investigations – whether crimes require a local knowledge and hence a local level response e.g. rape or is a more centralised specialist investigation required e.g. cyber crime.
- Governance and Service Improvement – how the Force deliver operational and organisational strategy.
- Business Innovation – the work is focussed around a new Enterprise Resource Planning System in collaboration with Surrey and Sussex police forces.

The four work groups are now developing the new operating model for Thames Valley Police against which a saving of £16 M has been identified to date but this will be refined at a later stage. There were also 15 work streams covering more discrete areas such as the night time economy and custody and prisoner handling. Forces are now considering how to improve productivity of their officers by identifying and analysing demand on their time.

Background Documents

House of Commons Briefing Paper on Police Funding

<http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7279>

National Audit Office – Financial sustainability of police forces.

<https://www.nao.org.uk/wp-content/uploads/2015/06/Financial-sustainability-of-police-forces.pdf>

Asset Management Plan

http://www.thamesvalley.police.uk/amp_2014_pcc_approved_july_2014_3.pdf

Peel

<https://www.justiceinspectors.gov.uk/hmic/peel-assessments/peel-2015/thames-valley/>

HMIC

<https://www.justiceinspectors.gov.uk/hmic/publications/policing-in-austerity-meeting-the-challenge/>

<https://www.justiceinspectors.gov.uk/hmic/wp-content/uploads/thames-valley-responding-to-austerity.pdf>

Budget Briefing in November

The main points highlighted by the Director of Finance (TVP) and the Chief Financial Officer (OPCC) were as follows:-

Comprehensive Spending Review – key issues for the Police as published on 25 November 2015

Note: This information was published 4 weeks after the PCC and Chief Constable's initial budget deliberations on 29 October.

- Over the last Parliament, chief constables nationally showed extraordinary innovation and creativity to find £1.5 billion of savings in local police force budgets.
- The government will help forces to improve police efficiency by taking steps to drive down the cost of police procurement by up to £350 million and encouraging greater collaboration between police forces and with other Public and Emergency Services.
- The Spending Review invests nearly £1 billion in the next generation of 4G communications network for the Emergency Services which will enable officers to access key police databases, take mobile fingerprints and electronic witness statements and stream live body worn video. In the OPCC papers this is referred to as the Emergency Service Mobile Communications Programme (ESMCP). This is being managed locally as a collaborative project with Hampshire (see Member comments regarding timing and what will be funded centrally).
- The government will protect overall police spending in real terms over the Spending Review period, an increase of £900 million in cash terms by 2019-20. This will provide funding to maintain overall police force budgets at current cash levels. This funding will also allow forces to adapt to changing crime threats and to train more firearms officers to ensure the country extends its capability to protect its citizens from terrorist threats.
- Changes to the Police Funding Formula have been delayed by a year. With the initial proposals set out in Autumn 2015 Thames Valley Police would have been a significant loser. In terms of putting new proposals forward for 2017/18 it was hoped that there would be engagement with the police community before agreeing changes.
- The Government settlement was expected on 17 December 2015. The final settlement would be available in early February 2016.

Thames Valley

Medium Term Financial Plan (MTFP) Assumptions/General Information

- General inflation will be applied at 1.5% for 2016/17, 1.8% for 2017/18 and 2% thereafter. The major change to inflation is the extension of the Government's pay capping at 1% per annum for the Medium Term Financial Plan (MTFP) period. This has reduced the overall pay inflation bill by approx. £3m per annum.
- Council Tax precept to increase by 1.99% per annum in each of the next four years. However, the precept may be influenced by the revised Funding Formula.
- There is an increase in demand on the police service which includes population increase and changing crime but this has not been factored into the MTFP at this stage. This will be addressed by the work undertaken under the TVP Priority Based Budgeting Review.

- There was a £1.1 million growth in improved service which related to additional growth for the increase in demand within the Child Abuse Investigation Units (CAIU). This work was being spread among officer and civilians.
- There is a robust Force Productivity Strategy designed to reduce the overall cost of the organisation whilst ensuring resources are directed to the highest priority areas.
- Reducing establishment numbers has been considered given the level of savings required by the Force by looking at new innovative approaches such as a change in delivery model and investment in technology. There is a proposed reduction of 450 in 2016/17 with further reductions every year, the scale of which cannot be confirmed until there is clarity on changes to the Police Funding Formula.
- In terms of capital the Force are strengthening and streamlining core assets and systems and a key feature of the capital plan is the Asset Management Plan, in particular reducing the size and cost of the estate.
- The draft budget presented at the briefing showed the Force as being in balance for the first two years showing a shortfall in the last two years of at least £7.46M.
- ESMCP – availability and cost (see points of clarification below).

Points of clarification by the Task and Finish Group (December 2015)

- There was a **'Bear Scotland'** ruling relating to an increase in overtime for the payment of average overtime working during periods of annual leave. This was initially estimated to cost £0.5m but an extra £0.5m is now required (bringing it up to £1m). This increase will be reflected in the budget report in January. This ruling also impacts on the Fire Service.
- In terms of the **ESMCP** (see above) whilst there is Government assurance that funding will be received to support the change programme it was not clear whether there would be any financial implications for the Force as this could be a modular programme with only the core product being Government funded. There have been some delays to this project because of a potential court ruling. However, the legal challenge has been dropped but it is understood damages are still being pursued. The Force is collaborating on the implementation with Hampshire, there could be some opportunities for the Fire Service to also collaborate on procurement.
- In relation to the current service there is funding of six FTE **Road Safety and Community Liaison Officers** for the Local Police Areas. These are not additional posts but a change in funding. LPA's have decided that these posts are essential so they have not been removed. Emphasis was made of close working with Local Authorities to ensure that their resource was maximised at a local level.
- There are changes to the level of **Firearms Licensing income** received each year and clarification was sought. Members were informed that this related to peaks and troughs in terms of licence renewals due to the change in the length of licenses made by the Government a number of years ago (3 years to 5 years). The predicted number of renewals/new licenses over the next 5 years (2015/16 onwards) is 7700, 7600, 6790, 5100, 6900.
- In terms of the **Priority Based Budgeting Review** the Force would be using a similar budget methodology but wanted to identify a clear framework for targeting resources to demand. A question was asked of whether partners were aware that some cost pressures may be transferred to their organisation as a result of the review. In response Members were informed that the police service which operated on a 24 hour basis was often the service of last resort and picked up issues that should not be their responsibility. An example was given of mental health where some people were locked inappropriately in police cells rather than being given appropriate care elsewhere. A triage system is being piloted in

Oxford to help this issue. This scheme has been set up in partnership with Health Authorities. The Director of Finance assured Members that they would not just stop providing a service but would discuss with partners the best and most appropriate way to provide services. The Deputy Chief Constable was responsible for the Budgeting Review which is regularly discussed at their Management Team meetings and also with the Police and Crime Commissioner to ensure that it met Police and Crime Plan priorities.

- **Establishment Changes** – in view of the proposed reduction of PCSO's in 2016/17 and in 2017/18, clarification was sought on whether this applied to part funded PCSO's. The Director of Finance reported that a commitment could not be given on numbers until the Government settlement was made. Whilst there was a commitment to maintaining the frontline as much as possible it depended on the level of savings required. If partners were match funding PCSO's, the PCC would try and protect them as far as possible depending on other budget priorities. The PCSO's posts where partner funding had been withdrawn would be reduced first. Letters were being sent to PSCO partners to try to establish their funding intentions for the forthcoming year and highlight the funding issues.
- A question was asked whether the Forces savings which were being made were more tactical i.e **efficiency savings rather than service transformation**? The Director of Finance reported that it was a mix of both. On the efficiency side there had been service level reductions and changes to the estates area.
- In response to a question about whether the PCC was comfortable with the level of his **reserves**, the Chief Finance Officer reported that at the moment he is but this may change once the settlement had been given. It was also stated that TVP have a low level of reserves compared to other police forces.
- In terms of the Force's **income generation strategy** the Chief Financial Officer reported that they were looking at Section 106 agreements and the Community Infrastructure Levy. Some funding has already been received and the Property Services Department are actively pursuing this.
- In terms of **Capital**, reference was made to the sale of land, particularly the future development of Gowell Farm in Bicester into eco-housing which if successful could generate a significant capital receipt. This has not yet been included in the Force projections due to the uncertainty over scope and timing. An update on this Project was requested.

Appendix B Proposed Questions to the Commissioner (Questions in bold will be answered by the PCC at the meeting – for the other questions a written response will be provided).

Police and Crime Plan

- 1. You say you are assured that the pledges outlined in the Police and Crime Plan are fully funded by the proposed budget but have you any concerns about some aspects of it becoming compromised or undeliverable?**

Revenue & capital

- 2. What further information is awaited before the budget can be finalised e.g Emergency Services Mobile Communications Project (para 24).**
3. Please could the PCC provide an overview of the Force Productivity Strategy and Priority Based Budgeting Review process.

How confident are you of the ability of the Force's productivity strategy and Priority Based Budgeting to keep on delivering the savings you need and are you concerned that this will impact on the objectives of the Police and Crime Plan including the Chief Constable's annual delivery plan objectives ? [£15.61m savings expected in 2016/17 and a further £20.41m in the following three years (Executive Summary)]? For example the new Contact Management Programme (para 72), which is a significant element of the savings programme has slipped due to technical delays which has reduced savings in 2016/17 by £1.9m

- 4. A FOI request recently revealed that the Force paid Noonan Services Group £2,556,960.66 for security services between the start of this financial year and November 30. Do Forces normally spend this amount of money on private security companies and what is the reason for this spend?**
<http://www.maidenhead-advertiser.co.uk/News/Areas/Maidenhead/Police-pay-private-security-companies-more-than-18m-since-2012-14122015.htm>
- 5. 'Investment decisions need to support the long term development of the Force as the PCC has a cash-limited opportunity to continue to shape the Force to be able to operate effectively in an increasingly hostile financial environment' (para 27 of the Capital Plan report) – what sort of investment decisions are being made and how are they being assessed?**
- 6. How are you planning to influence the new funding formula so that it includes the full range of drivers on demand for policing, not just crime? The Panel would welcome verbal updates on the proposed changes to the funding formula.**
7. Can you provide more information about the Force's value for money reviews (Appendix 5) – including PCSO's/use of agency staff (and consultants)/review of CCTV provision and the benchmarking tools you use to demonstrate vfm ? Will these reviews involve key external stakeholders?
8. Do you have much slippage on capital schemes? What is your new capital monitoring process? What is the likelihood of there not being enough capital income in the event of a negative balance? (para 11 of the Capital Plan report)

9. Should there be contingency arrangements for material reductions in Government funding whether from formula change or overall new reductions?

Partnership Working

10. Has any consultation been carried out on the budget?
11. Community Safety Partnership Funding (Appendix 4 Current service) - could you provide further clarification and detail about the future funding for Community Safety Partnerships across the Thames Valley? Can you also provide an update on the bidding process for the grant being issued under the Police Property Act Fund ?
12. What do you think of communities paying for their own police – is this something you would endorse?
<http://www.telegraph.co.uk/news/uknews/crime/11980510/Frinton-the-seaside-town-paying-for-its-own-police.html>
13. How are you pursuing opportunities to deliver services in collaboration with public and private sector partners? For sensitive areas such as Mental Health and Child Sexual Exploitation what are the proposals for engaging with the relevant Boards?
14. How is your programme of commissioning [services for victims, etc.] impacted by the budget proposals for 2016/17? Is the level of grant still unknown ?

Priorities

15. What systems does the Force use for tracking demand and how are changes made to ensure resources are used effectively?
16. Is the Force concerned about their capacity and capability to deal with cyber crime and cse and new and complex crime? Are you being provided with more information in financial reports about the costs of various police activities and how will this information be developed going forward?

Risks

17. Do you have a more detailed risk register relating to changes in the budget eg impact of reducing police officers?
18. How will the Force work closely with partners to deliver cost savings when there is likely to be a withdrawal of partner funds. Headlines include 'police officers are concerned their work won't get picked up by other struggling public services. Is there a partnership risk register to flag up impacts of cost savings from all partners?

Transformation

19. A question was asked at the Budget Task and Finish Group about whether most of the savings that have been made are tactical or efficiency savings rather than service transformation? E.g reorganising Neighbourhood policing teams or closing under used police stations. The response was that this was a mix of both. A previous question on

investment referred to the Force having a cash limited opportunity to continue to shape the Force – do you think you are being radical enough with your transformation?

20. The last HMIC report said that the Force's current efficiency is hampered by the lack of investment in IT. What improvements have been made in ICT efficiency since the report was written and how is this being developed? What are the key objectives of the ICT Strategy?

21. We appreciate the joint working on service delivery with Hampshire on both back office and frontline services. Does the Chief Constable anticipate extending these services to other Forces to drive further efficiencies and economies of scale?