



FINANCIAL STRATEGY 2015



1. INTRODUCTION

This financial strategy sets out how Thames Valley Police (i.e. the Police and Crime Commissioner (PCC) and the Force) will structure and manage their finances to support the delivery of the aims and objectives of the service, as set out in the 4 year Police and Crime Plan supported by the Chief Constable's Annual Delivery Plan, and to ensure sound financial management and good stewardship of public money.

The current Police and Crime Plan covers the period 2013 to 2017. This will be updated next year to cover the period 2017 to 2021.

2. OVERVIEW - NATIONAL

On 20th October 2010 the Chancellor announced the results of the Coalition Government's Spending Review 2010. Government funding for the police service in England and Wales would be cut by 20% in real terms over the four year period 2011/12 to 2014/15.

On 17th December 2014 the Home Office announced additional cuts in police funding for 2015/16. Because they increased their 'topslice' for Home Office initiatives (e.g. Police Innovation Fund) from £90m to £177m all PCCs received a cash reduction of 5.1% in their annual Police Grant, which is equivalent to a 7% reduction in real-terms funding.

The Chancellor will announce the results of the Government's next spending review, covering the four year period 2016/17 to 2019/20, on 25th November 2015. The expectation is that unprotected government departments such the Home Office will face real-terms reductions of between 25% and 40%.

On 21st July the Home Office commenced an 8 week consultation on new police funding arrangements in England and Wales. Their intention is to implement the new funding formula

with effect from 1 April 2016. Over 1700 responses were submitted. On 8th October the Home Office issued an updated funding model, including exemplifications based on 2015/16 grant levels, for further consultation. However, this time the response period is just 3 weeks. The outcome of this exercise will not be known until the provisional police grant settlement is announced in the week commencing 14th December 2015.

3. AN OVERVIEW - LOCAL

In order to deliver balanced budgets with fewer resources nearly £71m of cash savings have been identified and removed from the revenue budget over the last five years (i.e. between 2011/12 and 2015/16); an overall cash reduction of around 19%.

The latest Medium Term Financial Plan indicates that further budget cuts of at least £50m will be required over the next four years (i.e. 2016/17 to 2019/20) but there are a considerable number of uncertainties and risks underlying the funding assumptions, hence the actual figure could be significantly higher.

Against this tide of significant and ongoing government grant reductions and local budget cuts, TVP continues to be an area of rapid population growth; its population is projected to increase by 18% over the 25 year period 2012 to 2037. This will significantly affect the volume, nature and profile of the demand for services. In addition, although it is recognised that traditional crime is falling, emerging crimes such as cyber crime, child sexual exploitation (CSE), female genital mutilation (FGM) and human trafficking are increasing the demand and complexity of policing. Furthermore, the Government's focus for policing is also changing, from neighbourhood policing at the very local level to potential collaboration of blue light emergency services at the other extreme.

The reduced availability of finance will clearly be a significant potential constraint on operational policing for the foreseeable future. The financial challenge facing TVP over the next few years is significant, extremely challenging and will require changes in all aspects of service delivery including frontline policing. In order to deliver the level of budget cuts outlined in the medium term financial plan tough choices will continue to have to be made.

However, the fact that we have identified and planned for the unavoidable budget reduction, and have a proven productivity strategy and priority based budgeting process in place to deliver both cashable efficiency savings and productivity improvements, is a clear advantage. HMIC's PEEL inspection programme looks at how efficient forces are. For the October 2015 report TVP achieved a "Good" grade overall and, in relation to the specific question "How

sustainable is the forces financial position for the short and long term”, an “Outstanding” grade.

However, there are still a few, but vitally important, residual budget and funding uncertainties that will impact on TVP finances and implementation of this strategy over the next few years, including:

- The CSR announcement in November
- The amount set aside (or top-sliced) from police grant to fund government projects and priorities such as the Innovation Fund, expanded HMIC and IPCC functions
- The final decision on the new policing funding formula and the application of dampening
- Changes in the taxbase over the next few years
- The size of local council tax increases in TVP
- The funding for national initiatives such as the replacement for Airwave, Emergency Services Mobile Communications Programme (ESMCP).

Regardless of the financial challenges the overriding requirement is to provide an efficient and effective policing service. The Police and Crime Plan supported by the Force’s annual delivery plan explains how we plan to deal with Government priorities and requirements, as well as providing a policing service which meets the local needs of the people of Thames Valley, with the financial resources available to us.

4. THE FINANCIAL STRATEGY

The following section sets the financial strategy which TVP will follow in order to achieve its goals and priorities, whilst balancing available finance and spending ambitions. The vision of the financial strategy is to:

- **Protect the delivery of priority services as far as reasonably possible;**
- **Plan effectively and realistically for the known reduction in external income in coming years;**
- **Ensure that revenue and capital funds are maximised to support policing and crime priorities as set out in the Police and Crime Plan;**
- **Continuously strive to improve efficiency and achieve value for money**
- **Demonstrate proper accountability of our use of public funds**

To achieve this vision we will aim:

- To plan realistically for the significant reduction in government grant income
- To produce realistic estimates for each area of structural reform or major budget reduction.
- To deliver stability in TVP budgets by ensuring that changes from year to year in resources available and the financing implications of those changes are, as far as possible, predicted and managed.
- To make the best use of limited resources, continually striving to improve resource usage and management, to invest in prioritised services and deliver efficiencies.
- To use new, innovative ways of examining all areas of police business in order to identify and implement the significant level of budgets cuts now required, e.g. Priority Based Budgeting
- To effectively account for and report on the use of resources.
- To provide appropriate and adequate information and advice to facilitate decision making, including costing data.
- To have in place sound financial processes to control, monitor and account for expenditure.
- To maintain an appropriate level of general balances, earmarked reserves and insurance provision, to ensure financial stability and to provide opportunities to fund the one-off costs of, e.g. structural reform, technology investment to facilitate long term efficiencies, for invest to save initiatives and investment for performance.
- To work closely with other forces and partners, where appropriate, to deliver cost savings and improve resilience and performance (e.g. collaboration with other forces).
- To work closely with partners (e.g. for community safety and victim services) to commission services in an efficient and effective manner

- To use benchmarking and other tools to challenge and demonstrate the achievement of value for money. We will challenge spending pressures and the spending norms; not simply accept them as a 'given'
- To promote effective internal audit of financial management and control arrangements
- To embed effective risk management arrangements throughout the organisation
- To ensure our asset portfolio is of an optimum size and maximise the utilisation and efficiency of our asset portfolio.

5. EXTERNAL INFLUENCES ON THE FINANCIAL STRATEGY

The following factors will be considered and taken into account during the annual planning process and will be reflected in medium term financial forecasts, the annual revenue and capital budgets and monitoring expenditure thereafter:

- Outcome of the PCC elections in May 2016
- UK and global economy, including the size of public debt
- Annual reductions in government grant allocations
- Government assumptions on future council tax increases
- The referenda limits for council tax increases
- New ways of working (e.g. the duty on PCCs and chief constables to explore and pursue opportunities to deliver services in collaboration with public and private sector partners)
- New arrangements for delivery of national and specialist policing services (e.g. the Strategic Policing Requirement, NPAS)
- Likely withdrawal of partner funds
- Government changes to procurement (e.g. national framework arrangements, changes to EU regulations)
- Legislative changes (e.g. Health & Safety, Disability Act, Policing Reform)
- Operational demands and the changing pattern of Crime.
- Population growth in the Thames Valley (an estimated extra 400,000 people over the next 25 years)

6. FUNDING OBJECTIVES

To make the best use of limited and/or finite resources for revenue and capital spend, TVP will seek to:

- Identify and sell surplus and/or inefficient assets to provide funding for future capital investment and to reduce revenue running costs
- Identify suitable investment schemes to reduce costs and/or improve performance
- Ensure that whole life costing of investment options is undertaken to improve decision making
- Maximise grant funding opportunities, taking into account any long-term impact on the budget
- Maximise income generation wherever possible through trading activities and external funds, within the capacity of the Force and without impacting adversely on operational policing
- Maximise collaboration and partnership working where it improves service effectiveness, reduces costs and improves efficiency without introducing undue risk to service delivery
- Increase council tax income as appropriate to alleviate the impact of budget reductions on operational policing services

7. MEANS OF DELIVERY

The following key documents will be produced or actions undertaken:

- An annual revenue budget that supports and complements the Police and Crime Plan and [Force] annual delivery plan, within the parameters set by government for expenditure capping.
- A medium term financial plan based on a realistic assessment of pay and price increases; national, regional and local policing requirements; an estimate of future grant allocations, cashable efficiency savings and other budget reductions, council tax base and the overall surplus or deficit on collection funds and, finally, government pronouncements on capping.

- An annual capital budget produced in accordance with the Capital Policy Statement.
- A funded medium term capital plan
- An annual treasury management and investment strategy, including the prudential indicators
- Financial awareness training will be provided to appropriate senior police officers and staff to enable them to manage their budgets effectively

8. GOVERNANCE

The planning, decision making and monitoring arrangements in TVP are set out below:

- TVP will adopt Financial Regulations including Contract Regulations to codify its financial management policies. The Chief Constable will issue more detailed Financial Instructions to complement and support these Regulations
- After consideration of any recommendations received from the Police and Crime Panel with regard to the proposed council tax precept, the PCC will approve the annual revenue budget, medium term financial plan, the medium term capital programme and its annual treasury management and investment strategy in January each year
- Day to day responsibility for management of the operational budget is undertaken by the Chief Constable, in accordance with the approved joint corporate governance framework.
- Budgets will be continually monitored to ensure that all expenditure is in line with the PCC's and Force's strategic objectives. Revenue and capital monitoring reports will be presented by the Chief Constable to the PCC on a regular basis, as determined by the PCC in consultation with the Chief Constable.
- The PCC's Chief Finance Officer will provide regular reports on the adequacy of reserves, balances and provisions

- Annual Financial Statements will be approved and published by the Chief Constable and the PCC in accordance with statutory timescales

Approved by: Police and Crime Commissioner

Date: 29 October 2015

Review date: October 2016