

24th<sup>th</sup> January 2017**Purpose of this Report**

1. This report provides information on the provisional police funding settlement for 2017/18 and then recommends a draft revenue budget and council tax precept for the Police and Crime Commissioner (PCC) to approve, subject to final notifications on the council tax base from local authorities.

**Decisions Required**

2. The PCC is asked to notify the Police and Crime Panel:
  - That, subject to final taxbase notifications, the council tax requirement for 2017/18 be set at £149,212,081
  - The revenue estimates for 2017/18 as set out in Appendix 2
  - That the police element of the council tax for 2017/18 be set at £170.28 for properties in Band D, with the charge for other bands as set out in Table 1.

Table 1 – Council tax 2017/18

Property Band	Relevant Proportion	PCC Element of the Council Tax £
A	6/9	113.52
B	7/9	132.44
C	8/9	151.36
<b>D</b>	<b>9/9</b>	<b>170.28</b>
E	11/9	208.13
F	13/9	245.97
G	15/9	283.81
H	18/9	340.57

**Background**

3. The PCC is required to notify the Thames Valley Police and Crime Panel of his proposed council tax precept by 1<sup>st</sup> February 2017.
4. Having considered the PCC's proposals the Panel must make a report to the PCC on the proposed council tax precept. A decision to veto the precept has to be agreed by at least two-thirds of the Panel members, i.e. at least 14 of the 20 members. The PCC has to have regard to the report made by the Panel. Should it be necessary, a second Panel meeting will be held in February 2017 to consider the PCC's revised precept proposals for 2017/18
5. Legislation provides that the council tax requirement, precept and council tax levels are to be finally determined by the end of February prior to the start of the relevant financial year.

**PROVISIONAL POLICE FINANCE SETTLEMENT**

6. The Provisional 2017/18 Police Finance Settlement was announced in a written ministerial statement by the Minister for Policing and the Fire service, Brandon Lewis, on Thursday 15 December 2016.

## BACKGROUND

7. On 25 November 2015, as part of the Spending Review the Chancellor announced that the local police budgets would be maintained at “current [2015-16] cash levels” – assuming that PCCs maximised their potential to raise funding through the precept.
8. Funding for the police service was not mentioned in the 2016 Autumn Statement.

## HEADLINES

9. Brandon Lewis’ statement announced a flat rate decrease in grant funding (Police Grant plus ex-DCLG Grant) of -1.4% in cash terms (Appendix 1). The headline from Home Office is that no PCC will face a cash reduction in their Formula Funding plus legacy council tax grants plus precept income, as long as they maximise their precept). This protection applies to those who raise their council tax by the maximum possible amount for both 2016/17 and 2017/18.
10. As expected, and whilst the formula review is still underway, this settlement covers just one year and confirms the council tax referendum threshold of 2%. There is additional flexibility to increase the precept by £5 for the 10 forces (excluding City of London) with the lowest precept.
11. Top-slices/reallocations are worth £812m in 2017/18, some 42.0% higher than in 2016/17 (£572m).
12. The value of the Transformation Fund has risen to £175m from £131.4m (including the innovation fund) in 2016/17 an increase of 33.2%. The £131.4m figure includes the Innovation fund from 2016/17 which was worth £55.0m.
13. Legacy Council Tax Funding is still separately identifiable and has stayed the same in cash terms since 2016-17 when the grant totalled £507.4m.
14. Police Capital grant has been reduced from £82m in 2016/17 to £77.2 in 2017/18. Of the £77.2, 45.9m (59.4%) is allocated for the Police Capital Grant. The rest is broken down as follows:

<b>Police Capital</b>	<b>£m</b>
Police Capital Grant	45.9
Special Grant Capital	1.0
Police Live Services	18.1
National Police Air Service	12.2

## Reallocations (or top-slices)

15. As stated above the Home Office will reallocate £812m in 2017/18.

<b>Top-Slice</b>	<b>2016/17 £m</b>	<b>2017-18 £m</b>
PFI	73	73
Police Technology Programmes (including ESN)	284	417
Arms-length bodies	60	54
Strengthening the response to Organised Crime	0	28
Police transformation fund	131	175
Special grant	25	50
Pre-Charge Bail	0	15
<b>Total</b>	<b>572</b>	<b>812</b>

16. The Police Technology Programmes include the Emergency Services Network (ESN), the existing Airwave system, Home Office Biometrics and the National Law Enforcement database.

### **TRANSFORMATION FUND**

17. Both the Minister and Home Secretary have been very vocal about the need to continue the drive to transform Policing and the benefits of collaboration so it comes as no surprise to see a growth in the value of the Transformation Fund.
18. The Transformation Fund was first set up in 2016-17 and was worth £76.4m. In 2017-18 that amount has risen to £175m but includes the innovation fund (previously £55m). Of the £175m, £32m will be going to firearms and approximately £50m has already been committed by the Home Secretary as second year funding for bids already approved under both the Innovation and Transformation funds. The rest of the money will be available for national commissioning and local bids.
19. More information on the bidding process will be announced soon.

### **INNOVATION FUND**

20. As expected, the Innovation Fund has not continued into 2017-18. Earlier bids which spanned multiple years will continue to be paid but there will be no new bids to the Innovation Fund. The original purpose of the fund has now be absorbed within the Transformation Fund and will primarily be dealt with through the Police Reform and Transformation Board (PRTB).

### **COUNTER TERRORISM**

21. Counter Terrorism funding is negotiated separately to the police settlement, so any increases here should not impact on the rest of the police settlement.
22. The 2015 Spending Review announced an additional £500m of funding by the end of this parliament for Counter Terrorism.
23. In 2016-17 allocations increased by £96m (up 13% to £640m). There was also £30m capital funding in 2016-17. In 2017-18 the funding has increased by a further £30m to £670m.

### **EMERGENCY SERVICES NETWORK (ESN)**

24. Emergency Services Mobile Communications Project (ESMCP) is the work programme delivering the Emergency Service Network (ESN); the replacement for Airwave. Said to be included within the 2016-17 settlement (although not separately identifiable) was the Police share of £1bn funding for ESN.
25. In 2016-17 ESN “core costs” worth £80m were top-sliced from the settlement and were also intended to fund the costs of control room upgrades. At the time of the 2016-17 settlement the indication was that these “core costs” were likely to increase significantly in 2017-18.
26. The ESN spending has been incorporated into the ‘Police Technology Programmes’. The ministerial statement suggests approximately £100m increased funding for the ESN.
27. PCCs will continue to be liable to pay for Airwave until the transition to ESN has occurred. During the transition, and once it is in place, PCCs will need to pay local ESN cost, including data and connection charges, devices and installation as well as

control room upgrades, supported by specific grants reallocated through the “core costs” top-slice. In the longer medium term ESN should deliver local savings.

### **COUNCIL TAX REFERENDUM PRINCIPLES**

28. The Department for Communities and Local Government has published the draft council tax referendum principles for 2017-18. As previously announced, the 10 police force areas with the lowest precepts (excluding the City of London) will be allowed to increase their Band D bill by £5. The referendum limit for everyone else remains at 1.99% with an increase of 2% or more triggering a referendum.

### **NATIONAL AND INTERNATIONAL CAPITAL CITY (NICC) GRANT**

29. In 2016-17 the NICC grant for the City of London was £4.5m. In 2017-18 it remains at 4.5m
30. In 2016-17 the NICC grant for MOPAC (which used to be referred to as the Met special Payment) was £173.6m. In 2017-18 it remains at £173.6m.

### **MINISTRY OF JUSTICE (MoJ) FUNDING**

31. The Ministry of Justice has yet to announce grant allocations for victim and witness services in 2017/18. For information, in 2016/17 TVP received £2.765m.

### **VIOLENCE AGAINST WOMEN AND GIRLS - SERVICE TRANSFORMATION FUND**

32. In March 2016 the Government published a programme of reform supported by an increase in funding of £80m. The intention is to ensure that every victim gets the help and support that they require, coupled with bringing more perpetrators to justice.
33. The £80m worth of funding has been pledged up to 2020. However, the majority of that funding is to go into other services such as national helplines, rape support centre and refuges. The transformation funding available for the Police to bid for is worth £15m from 2017 running until the end of the financial year of 2019–20.

### **FORMULA REVIEW**

34. The Home Office has established two working groups (the Senior Sector Group and the Technical Reference Group) to help develop a new police funding formula. The Minister will decide in March 2017 whether the new formula is in a fit state to go out to public consultation. If it is, the likely implementation date is 2018-19.

### **THAMES VALLEY ALLOCATIONS**

35. As shown in Appendix 1 the PCC will receive the following grants in 2017/18.

Table 4: TVP grant allocations 2016/17

	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Variation £m</b>	<b>Variation %</b>
Home Office Police Grant	141.221	139.248	- 1.973	- 1.40
Ex DCLG Formula Funding	73.890	72.855	- 1.035	- 1.40
<b>Sub-total</b>	<b>215.111</b>	<b>212.103</b>	<b>- 3.008</b>	<b>- 1.40</b>
Legacy council tax grants				
- Council tax support funding	11.906	11.906	0	0.00
- 2011/12 council tax freeze grant	3.372	3.372	0	0.00
<b>Total General Grants</b>	<b>230.389</b>	<b>227.381</b>	<b>- 3.008</b>	<b>- 1.31</b>

36. In addition to these general grants the PCC will also receive money from the Ministry of Justice to fund victim and witness services in 2017/18. However, at the time of writing this report [4<sup>th</sup> January] the grant allocations had not been received. For information, in 2016/17 the grant allocation was £2.765m

### **THAMES VALLEY POLICE RESPONSE TO THE POLICE SETTLEMENT**

37. The Governments continued commitment that no Police force will face a cash reduction in their overall funding (compared to the baseline year of 2015/16) providing they maximise their precept, places TVP in a better financial position than anticipated 18 months ago but still equates to a real terms cut in income. This real terms cut in income has to be managed alongside the growth in complex and sensitive crime types, reinforcing the drive to continue to reform our service delivery model to ensure our resources are focussed on our priority services.
38. The Home Secretary speaks positively about the level of reform and savings already achieved within the police service but emphasises that the drive for transformation within the service must continue. In TVP we are continuing to push reform in our service delivery to ensure our resources are focused on our priority areas and reflect the changing nature of crime. One example of this reform is the new Operating Model which will deliver our local policing services under the following objectives:
- To ensure the right person is deployed to the right place at the right time
  - To instil a smarter approach to the way we prioritise and respond to crime
  - To improve efficiency in the way we do things, using “evidence based” operating principles
39. We are also investing heavily in technology to provide new opportunities across the service from how we investigate crimes to improving the productivity of our officers and supporting new ways of working. We are also investing heavily in technology to make it easier for the public to contact us and receive prompt & local information, as well as delivering longer term efficiencies. But technology comes with a price tag both in terms of initial investment, which is draining our reserves, and on-going revenue costs.
40. We are also addressing the indiscriminate threat of terrorism. The Police settlement last year made specific reference to increasing the number of Armed Responses Vehicles (ARV's) and Counter Terrorism Specialist Firearms Officers (CTSFO's) for which recruitment and training is underway. ARV's are a local resource whereas CTSFO's are a regional resource provided by the CTU. Within the JOU we are continuing to increase the number of ARV's and trained firearms officers we have to improve our response.
41. Work is continuing to build and expand our capabilities to counter new and complex threats. The true scale of complex crimes such as Rape, Child Sexual Abuse and Domestic Violence is still being uncovered. For example, the increase in reported Rape over the three year period 2013/14 to 2015/16 was 106%, with a 45% increase in the reporting of Other Sexual Offences in the same period. Reporting in the current year continue to show increases.
42. To deliver these reforms and work within our tight financial position we have already delivered £88.3m of savings over the last six years and another £10.5m is already identified for the next financial year. Our Productivity Plan Strategy looks at every part of the business from both a local and force wide perspective. For example the Priority Based Budgeting review has already challenged approx. 80% of our service to ensure we understand how our resources are being employed and are they delivering the right service in the most effective way. This work will continue during 2017/18.

## **OVERVIEW OF THE MEDIUM TERM FINANCIAL PLAN (MTFP)**

43. The review and development of the revenue budget is an annual exercise with each year's budget and associated council tax precept considered and approved in isolation. However, decisions taken in the course of approving the revenue budget will often have longer term consequences, as will those in approving the capital programme. The three year MTFP brings together these medium term consequences and allows a more comprehensive view to be taken of the PCC's overall financial position. It is imperative that the PCC knows the full extent of the financial consequences he will be committing to in future years when he considers and determines the annual budget.
44. As explained later in this report the revenue budget is balanced for the three year period 2017/18 to 2019/20. However future years funding allocations are very uncertain because the Home Office only provides indicative information in respect of future year grant allocations at the National level and the funding formula is in the process of being reviewed.
45. We are also anticipating a significant increase in demand on our service over the next three years, for example: from the continuing increases in reporting of complex crimes such as Child Sexual Exploitation (CSE) and Domestic Violence (DV), new and emerging crimes such as Honour Based Violence and Modern Slavery as well as the forecast population increase, the expectations of our communities, and legislative changes. Quantifying the resourcing impact of this increasing and changing demand, is constantly reviewed by the Chief Constable's Management Team (CCMT) but is difficult to predict over the medium term.

### **Budget preparation**

46. Work on preparing the draft budget began shortly after the 2016/17 revenue budget was approved by the PCC in January 2016. This early start was necessary in order to identify issues and potential funding shortfalls in time to develop and enhance the productivity strategy to meet the challenges ahead.
47. Throughout the budget preparation process the following key principles have been adopted:
  - To protect priority services;
  - To protect our ability to manage threat, harm & risk;
  - To maintain our capability in protective services and back office functions through collaboration;
  - To maintain and improve performance in key areas, including the strategic policing requirement;
  - To reduce "discretionary spending" and streamline business processes and to eliminate unnecessary bureaucracy and waste
  - To invest in technology to protect service delivery against future cuts
  - To invest in areas where future savings can be attained;
  - All change to be risk assessed.
48. There is a close relationship between preparation of the annual budget, medium term financial plan and the annual service objective setting process. All three support and complement the Force Commitment and the Police and Crime Plan.

49. The proposals developed for the draft budget ensure that resources are targeted towards priority service areas, the delivery of the strategic objectives and meeting our strategic policing requirement.

### **Planning assumptions**

50. In developing and refining the budget and the MTFP the following underlying assumptions have been made:
- General inflation will be applied at 1.80% for 2017/18 and 2.0% thereafter;
  - Specific inflation rates are based on sector led rates, e.g. Premises at 2.8% and Utilities at 5% per annum;
  - Specific inflation has been applied to the custody contract to allow for wage uplifts in relation to the National Minimum Wage (NMW) and recruitment issues;
  - Pay inflation capping has been extended by Government at 1.0% per annum for the spending review period;
  - Council tax precept to increase by 1.99% per annum in each of the next three years;
  - Council tax billing base to increase by 1.95% per annum;
  - Police grants (Main Grant & Formula Grant) have now been reduced by 1.40% in 2017/18 and are assumed to reduce by 1.76% and 1.84% respectively in the following years. These cuts, when combined with estimated council tax increases provide for a 0.62% cash increase in funding per annum to enable a small increase in the cash positions, but a real terms reduction over the period of the MTFP when considering inflationary pressures.
  - No provision has been made at this stage for the introduction of the new National Police Funding Formula due to the unknown impact this will have on Thames Valley's share of the national policing funds;
  - The use of reserves for supporting specific revenue funded projects will continue throughout the MTFP period.

### **Base Budget**

51. The starting point for the preparation of the 2017/18 estimates is the 2016/17 budget approved by the PCC in January 2016. The full MTFP is contained at Appendix 3.

### **Inflation**

52. This additional cost does not relate to any increase in service but is required just to maintain the existing base level of service.
53. Overall inflation for 2017/18 adds £4.75m (average rate of 1.23%) to the annual budget, a further £4.98m in 2018/19 (average rate of 1.26%) and £4.91m in 2019/20 (average rate of 1.25%). These increases are based on a realistic assessment of the impact of inflationary pressures over the next three years.

### **Committed Growth**

54. This section deals with those items within the budget which the PCC is committed to by means of previous decisions taken, national agreements or statutory payments.
55. The main significant changes that have occurred in this section for 2017/18 include:
- An increase for the implementation of the new Apprentice Levy, this was originally estimated in the budget at £1m, but is now expected to cost approximately £1.3m, an increase of £0.3m on initial expectations.

- A review of the rateable values for our properties, has meant an increase in our business rates, currently estimated at an additional £0.3m
- The tri-annual valuation of the Local Government Pension Scheme (LGPS) has recently taken place and the Actuary has recommended an increase in the employer's contribution rates, which will add a further £1.3m to the staff pay bill.
- A realignment of the base pay budgets for staff and officers allowing for increments and turnover.

56. Further details are provided at Appendix 4.

### **Current Service**

57. This element of the budget contains growth for those items which are deemed to be necessary to maintain the current levels of service within Thames Valley. The main significant changes that have occurred in this section for 2017/18 include:

- An increase in the Bonus Payments budget of £0.3m to allow for a recent CCMT decision on implementing a specific payment for trained firearms officers.
- A review of the potential interest receipts from investments of our cash balances, together with unprecedentedly low interest rates, has led the OPCC to recommend reducing the interest received budget by £0.5m in 2017/18.

58. Further details are provided at Appendix 4.

### **Improved Service**

59. These items of growth are required to improve performance and meet the growing demands on the service by means of legislative changes and adherence to codes of practice or to comply with regulations. The main significant changes that have occurred in this section for 2017/18 include:

- A reduction of funding for specific capital projects and the underlying capital programme leading to a reduced cost of £0.7m in 2017/18
- We were aiming to maintain officer numbers in 2017/18 by redeploying those posts released from the Productivity strategy (81). Cost pressures have now reduced the level of redeployed posts to 15.00FTE, a net reduction of 66 officers.
- The delayed implementation of the new Contact Management Programme (CMP) means the demands on the contact management department cannot be managed as anticipated and as such, growth for a temporary increase of 22.0 FTE staff has been included for 2017/18. This is a one year increase which will be funded from the Improvement and Performance (I&P) reserve.
- In addition to this, additional growth has been included for the on-going revenue development of the Contact Management Programme (CMP) at £0.74m.
- An uplift to the non-pay budgets in relation to increasing the availability of Armed Response Vehicles (ARV's) throughout the Force at a cost of £0.35m.
- An uplift in expenditure to match additional specific grants expected for Counter Terrorist Specialist Firearms Officers (CTSFO'S) and Protection Group officers – a total increase of £2.50m.
- A review of the revenue consequences of ICT along with a number of small enabling projects.

60. The remainder of growth within this section is made up of specific initiatives which are short term one-off initiatives affecting, in the main, property maintenance and enhancements. These initiatives are set out individually in more detail at Appendix 4.

### **Appropriation from Reserves**

61. The financial strategy includes the utilisation of general reserves and/or the Improvement and Performance Reserve to fund one-off expenditure items to improve performance, achieve future efficiency savings, or to address timing issues where expenditure falls in a different year to the budget provision. Table 5 shows how reserves are being applied in the revenue budget in 2017/18 and the change to those applied in 2016/17

Table 5

	2016/17 £m	2017/18 £m	Change £m
<i>Appropriations from general balances</i>			
- Additional Bank Holidays	-	0.215	0.215
- Council Tax Late Adjustment	-0.102	-	0.102
	<b>-0.102</b>	<b>0.215</b>	<b>0.317</b>
<i>Appropriations from the Improvement &amp; Performance Reserve</i>			
- Data Centre – resilience and move	-	0.520	0.520
- TSU - Air Conditioning Replacement	-	0.250	0.250
- Kingfisher Court Electricals	-	0.025	0.025
- Lodden Valley – Custody ventilation	-	0.190	0.190
- Fountain Court maintenance	-	0.180	0.180
- Optima - help staff return to work	0.100	-	-0.100
- Temporary CRED staffing	-	0.770	0.770
- Force Change Board initiative	-	0.150	0.150
- UCI Public Enquiry	-	0.197	0.197
- CSE intelligence posts in FISO	0.031	-	-0.031
- ICT Rationalisation funding	0.559	0.986	0.427
- ICT 2020 Programme Resources	2.153	0.581	-1.572
	<b>2.843</b>	<b>3.849</b>	<b>1.006</b>
<b>Total</b>	<b>2.741</b>	<b>4.064</b>	<b>1.323</b>

### Force Productivity Strategy Savings

62. The PCC and Force have a long history of delivering productivity savings and using these to balance annual budgets or reinvesting them in frontline policing; a strategy that has been widely scrutinised and praised by HMIC during various inspections and reports.
63. In the four year Comprehensive Spending Review (CSR) period 2011/12 to 2014/15 £58.9m of cash savings were delivered, with a further £28.4m in the last two years. Overall, in the last six years some £87.3m has been removed from the base budget.
64. Although cuts in Home Office grant have been reduced over the last two years we are still facing a real terms reduction year on year in funding. It is therefore very clear that to address the demands of today and tomorrow, we must continue to reform our police service by driving through the changes outlined in the productivity plan and especially the changes being identified by the new demand led operating model and improved ICT systems and processes. The changes are constantly under review and are being introduced on a realistic timescale to avoid any detriment to service levels during the transition. The level of change required over the next few years has been reinforced by statements made by the Policing minister and the Home secretary stating that the pace of reform within the police service must continue.
65. The overall productivity plan has been reviewed against the requirements of the MTFP and the strategy has been updated with new and changed initiatives.

66. Initiatives that have changed significantly or have been added include:
- The slippage in the work on the new Contact Management Programme (CMP) has meant that the savings profile has been revisited, and as such the savings have been re-phased into the later years, reducing savings in 2017/18 by £1.69m.
  - A review of potential further areas of collaboration in forensics, Learning & development (L&D) and Vehicle Recovery Scheme (VRS) have all been moved to Amber savings as at this time these do not have firm delivery plans to enact the savings. Therefore £0.75m of savings have been removed from the plan.
  - A review of the shift patterns within the Joint HC/TVP Roads Policing unit are estimated to reduce the establishment required for the unit, which will realise savings to TVP of £0.6m
  - The ICT delivery strategy has been fully reviewed and prioritised together with the rationalisation of existing systems and support between Thames Valley & Hampshire, this has led to a further saving in 2017/18 of £0.93m.
  - A force wide review of the use of rest day working and duty planning is expected to reduce the need for additional overtime by £0.25m per annum
  - The savings from reducing PCSO partner funded roles have been reduced to reflect the slower than anticipated withdrawal of partner funding, maintaining PCSO numbers by 10 FTE.
  - Additional savings have been realised through the Asset Management Plan (AMP), primarily due to the purchase of Fountain Court. The additional savings have added an additional £1.1m to the plan.
  - A phased introduction and review of the Criminal Justice PBB savings is continuing with further savings of £0.37m identified from, primarily, their non-pay budgets.
67. The savings relating to the first year of the productivity strategy are all related to specific initiatives that have been scrutinised by the Force to ensure that the risks of implementation are acceptable and that appropriate equality impact assessments are being completed prior to implementation. These savings should all be attained subject to the current demands and profile of policing.
68. Savings linked to the later years of the strategy are also linked to specific initiatives; however, a number of these still require further scoping work and assessment of the impacts and risks, which will be carried out over the next financial year.
69. A copy of the full Productivity Strategy is attached at Appendix 5.

### **2017/18 Establishment Changes**

70. A lot of emphasis is given to establishment numbers and what they mean for the police service. In reality the important question is, “*are we delivering on our priorities and providing the appropriate level of service?*” Being more innovative in how we look to reduce the organisational cost and developing service delivery mechanisms for example with the use of technology and workforce modernisation, will allow us to direct more resources at those priority areas as well as new and emerging crimes. These new innovative approaches may lead to an overall reduction in establishment but, providing this sits alongside reduced demand and a change in delivery model, including investment in technology, there does not have to be a reduction in our priority services.
71. The estimated summary position for the Force establishment over the MTFP is shown in the following table.

Table 6: Forecast Establishment Levels

	Police	Police Staff	PCSOs	Total
<b>Original Estimated Establishment at March 2017</b>	<b>3,896.00</b>	<b>2,504.00</b>	<b>424.00</b>	<b>6,824.00</b>
<i>2016/17 In Year Adjustments:</i>				
Protection Group Growth	15.00	-	-	<b>15.00</b>
CTSFOs Growth	5.00	-	-	<b>5.00</b>
Civilianisation of redeployed officer posts	(29.50)	29.50	-	-
CMP Savings not realised	-	30.00	-	<b>30.00</b>
ICT restructure review	-	53.00	-	<b>53.00</b>
TUPE'd staff for facilities management	-	(12.00)	-	<b>(12.00)</b>
<b>Revised Estimated Establishment at March 2017</b>	<b>3,886.50</b>	<b>2,604.50</b>	<b>424.00</b>	<b>6,915.00</b>
<i>2017/18 Adjustments:</i>				
Redeployment of Police Officer posts	15.00	-	-	<b>15.00</b>
Temporary Growth for CRED Staff	-	22.00	-	<b>22.00</b>
CTSFO Growth	7.00	-	-	<b>7.00</b>
CMP savings	-	(17.00)	-	<b>(17.00)</b>
Reverse postal management restructure savings	-	3.08	-	<b>3.08</b>
CJ savings review	1.00	(1.44)	-	<b>(0.44)</b>
SOC & Forensics review	-	(3.00)	-	<b>(3.00)</b>
Business Support review	-	(1.00)	-	<b>(1.00)</b>
Demand led operating model review	(70.00)	-	-	<b>(70.00)</b>
VISOR workforce modernisation	(11.00)	11.00	-	-
UCI/IICSA Public Enquiries	-	6.00	-	<b>6.00</b>
Windsor guard review	(1.00)	-	(2.00)	<b>(3.00)</b>
<b>Estimated Establishment at March 2018</b>	<b>3,827.50</b>	<b>2,624.14</b>	<b>422.00</b>	<b>6,873.64</b>
2018/19 Adjustments	(1.00)	(100.68)	(21.00)	<b>(94.68)</b>
<b>Estimated Establishment at March 2019</b>	<b>3,826.50</b>	<b>2,523.46</b>	<b>401.00</b>	<b>6,778.96</b>
2019/20 Adjustments	-	-	-	-
<b>Estimated Establishment at March 2020</b>	<b>3,826.50</b>	<b>2,523.46</b>	<b>401.00</b>	<b>6,778.96</b>

## 2017/18 Budget Summary

72. Table 7 provides a summary of the draft 2017/18 revenue budget. Further information is provided in Appendix 2 which shows a high level split of the overall budget between those elements that the PCC is directly responsible for and those under the direction and control of the Chief Constable to manage and operate. All government funding, including all special grants, are shown as external funding, illustrating the full cost and funding of the TVP PCC and Chief Constable.

Table 7 - Draft revenue estimates for 2017/18

	£m
<b>Base budget 2016/17</b>	<b>386.641</b>
In-year virements	0.202
<b>Adjusted base budget</b>	<b>386.843</b>
Inflation	4.753
Committed expenditure	4.097
Current service	0.897
Improved service	8.805
Productivity Strategy savings	- 10.498
Appropriation from reserves	- 2.635
<b>Proposed Draft budget 2017/18</b>	<b>392.262</b>

### **Medium Term Financial Plan (2017/18 – 2019/20)**

73. One of the key requirements of the Prudential Code for Capital Finance is that the PCC takes a longer-term view of the spending pressures facing the organisation, in setting and approving the budget and council tax for the ensuing financial year. Given the ongoing uncertainty around funding reductions and allocations, this forward planning is more important than ever. Table 8 provides a summary of the medium term financial plan; full details are provided in Appendix 3.

Table 8

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Annual Base Budget	386,641	392,262	393,786
In Year Virements	202	0	0
Inflation	4,753	4,981	4,906
Productivity Savings	-10,498	-6,360	-4,678
Committed Expenditure	4,097	1,003	976
Current Service	897	-124	-25
Improved Service	8,805	-713	702
In Year Appropriations	-2,635	2,738	483
<b>Net Budget Requirement</b>	<b>392,262</b>	<b>393,786</b>	<b>396,151</b>
<b>Total External Funding</b>	<b>-392,262</b>	<b>-393,786</b>	<b>-396,151</b>
<b><i>Cumulative Budget (Surplus)/Shortfall</i></b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><i>Annual Budget (Surplus)/Shortfall</i></b>	<b>0</b>	<b>0</b>	<b>0</b>

### **Budget Risk & Uncertainties**

#### **Increasing Demand and Specialist Capabilities**

74. As already identified there is an increasing demand on the police arising from new and emerging crimes but it is very difficult to predict the growth in resources required to deal with this changing demand. In addition the Home Secretary and Policing minister have stated that there will be an increase in the level of armed response vehicles (ARV's) alongside an increase in the number of Counter Terrorist Specialist Firearms Officers (CTFSO's) and have allocated specific funding for the uplifts within the transformation fund. The JOU has engaged in recruiting and training an additional 35 Firearms officers for the ARV's to protect our local communities from the risk of threat or harm.

75. The retention and demand for specialist officers and trained detectives is also causing a number of pressures within the organisation. It may be feasible to alleviate some of these pressures through financial interventions, however this has again not been quantified or allowed for within the MTFP. Whilst this is a specific risk, at this stage, the ability to generally recruit officers/new recruits is not proving to be an issue.
76. Within the Police service the shortage of IT technical skills alongside the drive to rapidly implement new technology has led to a reliance on contractor staff. Many contractors (not just technical) operate through Personal Service Companies albeit we engage them through an agency such as Reed. IR 35 – Intermediaries Legislation, was introduced in April 2000 to stop contractors working off payroll. This piece of legislation is being amended from April 2017 to move the responsibility for deciding if contractors working in the public sector are an employee or self-employed from the PSC to the employing agency (e.g. Reed) or the public sector body. This change in responsibility only applies to contractors working in the public sector. The implications for TVP are twofold: 1 Contractors may no longer be willing to work within the public sector because they are more likely to be classified as employees and hence face additional tax charges and 2) If they are willing to continue to work within the Public Sector they will expect their remuneration rates to be increased to negate the impact on their take-home pay. We are still waiting for additional information from HMRC so at this stage it is difficult to quantify the impact.
77. The implications of any future Fire & Rescue Service collaboration are unknown at this time but are expected to have a positive impact on the MTFP.

### **Future Years Forecasts**

78. The future years of the MTFP still carry some significant risks which could alter the currently identified plans either upwards or downwards. Primarily these include:
- The Home Office has promised that direct resource funding for each PCC, including precept, will be protected at flat cash levels compared to 2015/16. The baseline is adjusted each year to reflect actual rather than predicted increases in taxbase, which means we will not know the cash flat position for 2018/19 and later years until after all PCC budgets have been set in February. At the moment we are assuming a relatively small cash increase of 0.62% in future years.
  - The Home Office is currently working on a new national funding formula for the allocation of core police grants; it is unclear exactly how this would affect TVP, however, Home Office proposals during 2015 were detrimental to our funding so there is a possibility that the new formula could lead to further cuts in grant funding. The current government intention is to bring this in for 2018/19 with an initial consultation period starting around April 2017.
  - The MTFP also assumes annual growth in the taxbase of 1.95% and a council tax surplus of £2.0m per annum. The increase in taxbase reflects the higher increase received in previous years and also recognises the fact that house building continues to expand and flourish in some parts of the Thames Valley. The actual surplus can fluctuate significantly year on year. However, the estimate of £2.0m represents the average and trend of previous years.
  - The impact and fallout from the Brexit decision in 2016 is still much unknown in terms of when it may impact and what it may impact on in terms of policing. It is evident that areas such as inflation and exchange rates are being impacted upon and these do have a downstream effect on the costs of goods and services being procured by the police service. Future trade agreements may also impact on

some of the more specialist equipment and services we use where parts or services are coming from EU countries.

- The use and investment in technology is imperative for policing to reform and maintain pace with new criminality and crime. This itself does present potential risks to the funding model as costs move away from the traditional capital purchase route to more dynamic Software as a Service (SaaS) delivery which tends to be on an annual revenue basis. This coupled with increasing requirements for licences as more officers and staff access the services, will undoubtedly put a strain on the annual revenue budgets in the future.

### **Mitigation of Risks & Uncertainties**

79. As can be seen from the above, there are gaps in information available around key factors that could influence the level of funding available to the PCC as well as the forecast expenditure levels in future years.
80. The work that has already started within the Productivity Strategy will continue to be developed and taken forward to ensure the drive to improve the efficiency of our service continues, by reducing the underlying cost of our organisation and directing resources to our priority areas. Specifically work will continue on:
- Priority Based Budgeting (PBB) review – .This work has already identified savings of £10.7m and contributed to reforms within TVP including the new operating model and the new governance structure.
  - The delivery of major investment programmes like the Contact Management Programme, ESMCP and ERP will all continue to receive scrutiny and challenge to ensure they deliver the required service improvements and savings as planned and expected.
  - Collaboration will continue to be a main focus of both improved services and reduced cost. This will include collaboration both within the police service and with other partners.
81. The force is also acutely aware of the political impacts on policing, as outlined above, and will be monitoring closely the developments with the new national funding formula, together with the impacts that might be felt from policies or decisions that are made through the Brexit process nationally.

### **LOCAL GOVERNMENT ACT 2003**

#### **Robustness of estimates and adequacy of reserves**

82. The Local Government Act 2003 places a duty on the Chief Finance Officer (CFO) to make a report to the PCC on the robustness of the estimates and the adequacy of the reserves.

#### **Reserves and balances**

83. A separate agenda item shows the latest position on reserves, balances and provisions.
84. Based on current planning assumptions general revenue balances will stay slightly above the approved 3% target level throughout the next 3 years.

85. Earmarked reserves are forecast to reduce from £32.3m on 1st April 2016 to around £9.6m by 31st March 2020, including £3.0m in the Conditional Funding Reserve which is not available to support general operational policing.

86. Accumulated capital grants and reserves will be fully utilised by the end of 2019/20

### **Reliability / accuracy of budget estimates**

87. The estimates have been put together by qualified finance staff in the Force's Finance Department and reviewed by qualified staff within the Office of the PCC.

88. There are a significant number of risks regarding the draft budget proposals and these are clearly set out in paragraphs 74 to 78 above.

89. The biggest area of concern is the assumption being made regarding future levels of government grant and precept income. The current working assumption, legitimately based on information that has been provided by the Policing Minister and the Home Secretary, is that resources will be protected in real terms compared to 2015/16 (i.e. cash will increase by 0.62% per annum). At this stage we do not know the level of grant top slices (or reallocations) or the impact of the new police funding formula which is due to be implemented in April 2018. A 1% variation in police funding equates to £2.1m per annum.

90. Each of the budget risks identified above will be monitored very closely and the next iteration of the MTFP will be updated accordingly.

### **Scrutiny**

91. The draft budget proposals were presented to and scrutinised by the PCC at the Level 1 public meeting on 28<sup>th</sup> October. The Police and Crime Panel has established a 'Budget Task and Finish Group' to review the draft budget proposals. This Group met to consider the draft budget proposals on 9<sup>th</sup> December. They are next due to meet on 20<sup>th</sup> January.

### **Achievability and risks**

92. Attached at Appendix 6 is a budget risk and sensitivity analysis for 2017/18. In producing this analysis the CFO has followed the Force Risk Assessment Model. The first main column explains the risk to the PCC's budget. The level of risk is then assessed in terms of both likelihood and impact (each factor scored out of 5, with 1 being low likelihood / impact) on the PCC's budget. The final column provides a sensitivity analysis, where appropriate.

93. These identified risks are mitigated, to a certain extent, because the PCC:

- maintains an appropriate level of reserves and balances;
- takes a prudent approach to achievability of income and the recovery of debts due, making appropriate provisions for bad debts; and
- will proactively manage and monitor all aspects of budget performance during the year.

94. In addition, the Force continues to identify future budget savings through its ongoing Productivity Strategy, as referred to in paragraphs 62 to 69 above

95. Accordingly, the assessment of budget risks presented at Appendix 6 takes into account the mitigating factors identified above.

96. Similarly, Appendix 6A shows the risks to the medium term financial plan (2018/19 to 2019/20).
97. Although the Government has published national spending totals for the police for the next three years they have not produced individual force allocations, presumably because implementation of the new national funding formula has been deferred until 2018/19. The main risk, as identified above, is that future year funding allocations (grant and precept) are less than the 0.6% cash increase currently assumed.
98. The PCC's cash flow requirements are forecast and monitored on a regular basis to ensure stable and predictable treasury management, avoiding unexpected financing requirements.
99. The PCC needs to be satisfied that the revenue commitments in future years are affordable, sustainable and deliverable. Furthermore, the PCC has a responsibility to local people to ensure that the approved budget and detailed spending plans will deliver the aims, priorities and performance targets as set out in his new Police and Crime Plan 2017-2021.
100. The risk inherent in the timely delivery of large capital schemes within budget is considered medium to high, primarily based on the significant cost increases required during the last 12 months for the Contact Management Programme. The Force uses recognised project management techniques including programme and project boards to manage all major schemes. In addition, the new Force Governance Unit ensures the co-ordination of all major projects as part of the Force Transformation Programme and reports progress to the Force Transformation Board.
101. All capital schemes are managed by:
  - rigorous monitoring of projects.
  - close liaison with project partners
  - closely monitoring staff vacancies and using contractors where appropriate.
102. Apart from the Contact Management Programme, recent history suggests that there is a higher chance of slippage of expenditure and scheme underspends than significant in-year overspends against approved capital budgets.

### **Council Tax Capping**

103. The Localism Act 2011 abolished the capping regime in England. However, Schedule 5 of the Act made provision for council tax referendums to be held if an authority increases its council tax by an amount exceeding principles determined by the Secretary of State [for CLG] and agreed by the House of Commons.
104. On 15 December the Secretary of State for CLG published the referendum principles for 2017/18. As previously announced, the 10 police force areas with the lowest precepts (excluding the City of London) will be allowed to increase their Band D bill by £5. The referendum limit for everyone else remains at 1.99% with an increase of 2% or more triggering a referendum.

### **Prudential Code for Capital Finance**

105. The Prudential Code for Capital Finance has introduced a rigorous system of prudential indicators which explicitly require regard to longer-term affordability, prudence, value for money, stewardship, service objectives and practicality of investment decisions. This is backed up by a specific requirement to monitor performance against forward-looking indicators and report and act on significant deviations.

## Conclusion

106. The 2017/18 budget has been prepared in a properly controlled and professionally supported process. It has been subject to due consideration within the Force and by the PCC. The identifiable risks should be capable of management.
107. As shown in Appendix 6A there are a number of risks to the MTFP, most notably the level of future year grant allocations, however based on the assumptions set out in paragraph 50 above, the MTFP is currently balanced in all three years. This is an excellent achievement and due credit must be given to the Chief Constable, the Director of Finance and their staff for their comprehensive and detailed work in this area.
108. The MTFP currently contains a provision for some police officer redeployment in 2017/18, and minimal reductions in the police pay budgets thereafter. This budget provision, in particular, may need to be amended should future year grant allocations not be as generous as currently assumed.
109. The PCC is reminded that his responsibility for setting the annual budget and council tax precept for 2017/18 should also take into account whether the budget and service plans are relevant, affordable and sustainable in the longer-term. In doing so, he will need to satisfy himself that services and resource allocation have been appropriately prioritised and that financial risks have been adequately addressed and covered by, for example, reserves, contingencies and risk mitigation plans.

## IMPLICATIONS FOR COUNCIL TAX

110. The PCC will receive police grant of £139.2m, ex-DCLG formula grant of £72.9m and legacy council tax grants of £15.3m in 2017/18. These levels of grant income are determined independent of the PCC's planned spending budget for the year.

## Surplus on Collection Funds

111. It is currently estimated, based on provisional council data, that the PCC will receive £2.29m in 2017/18 as its share of the net surplus on the billing authorities' Collection Funds, details of which are provided in Appendix 7.

## Funding the 2017/18 Revenue Budget

112. Table 9 shows how the 2017/18 revenue budget will be financed.

Table 9

	£m	%
Police grant	139.249	35%
Ex-DCLG formula grant	72.855	19%
<b>Total formula grant</b>	<b>212.104</b>	<b>54%</b>
Council tax precept (estimate)	149.212	
Council Tax surplus on collection funds (estimate)	2.294	
<b>Total council tax</b>	<b>151.506</b>	<b>39%</b>
Legacy council tax grants	15.278	4%
Other specific grants	13.374	3%
<b>Total specific grants</b>	<b>28.652</b>	<b>7%</b>
<b>Total Financing</b>	<b>392.262</b>	<b>100%</b>

## **Council Taxbase**

113. The taxbase is calculated by the billing authorities by converting all properties to band D equivalents and making assumptions about the levels of discounts to be offered and the amount of tax to be collected.
114. In total, the provisional estimate of the 2017/18 taxbase for the PCC is 876,233 Band D equivalent properties, as Appendix 7 illustrates. This represents an annual increase of 16,719 properties or 1.95%.

## **Band D Council Tax**

115. The band D council tax proposed for 2017/18 is £170.28, an increase of £3.32 or 1.99% on the comparable figure for 2016/17.
116. As shown in Appendix 8 our current 2016/17 band D council tax of £166.96 is below the English national average of £172.13. The appendix also shows that TVP is significantly below average in terms of net cost per 1000 population when compared to other forces (£159,386 compared to £173,665). The final three columns show the proportion of each PCC's net budget requirement raised through council tax and government grant. TVP receives a higher proportion of its income from local council taxpayers than in most other force areas.

## **CONCLUSIONS**

117. The revenue budget is fully balanced in 2017/18 with a 1.99% increase in council tax.
118. The budget for 2017/18 protects and provides some increases, for priority service areas and specialist capabilities in response to the increasing level of complex crime and the current threat levels. This supports the delivery of the Police and Crime Plan and the Force Commitment.
119. The medium term financial plan is balanced in all three years. This has only been possible through the identification of £21.5m of budget cuts.
120. The Force will continue working on its Productivity Strategy, to ensure resources are directed to priority areas and that services are delivered in the most effective manner. This work will continue to release savings in future years in order to balance the budget and provide additional resource to reinvest in priority policing areas.
121. As shown above the current MTFP requires revenue savings of at least £21.5m over the next three years, with £10.5m in 2017/18. This is over and above the £88.3m of cash savings already removed from the base budget in the last six years (i.e. 2011/12 to 2016/17) meaning that, over the nine year period 2011/12 to 2019/20, in excess of £109m will have been taken out of the base revenue budget.
122. The impact on police officer and staff numbers next year (2017/18) is a net reduction of 59 FTE police officer posts and an increase of 22 FTE police staff/PCSO posts.