

Report to the Thames Valley Police & Crime Panel

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

Date: February 2017

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 2017/18. The process will be formally undertaken at the 3 February 2017 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 3 February. This was the work undertaken by the Budget Task & Finish Group who included Cllr McCracken (Chairman), Cllr Birchley, Cllr Page, Cllr Patman and Cllr White.

3. The relevant papers were published into the public domain in draft form for consideration at the PCC's Policy, Planning & Performance meetings on 28th October 2016 and 20 January 2017. They included:

- i. Four Year Medium Term Financial Plan
- ii. Draft Capital Programme
- iii. Reserves, Balances and Provisions
- iv. Financial Strategy 2016

4. The Budget Task & Finish Group met on 9 December and again on 20th 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 3 February.

5. RECOMMENDATIONS

1. That the Panel approve the Police and Crime Commissioner's precept for 2017/18 as set out in the OPCC report 'Revenue Estimates 2017/18 and Medium Term Financial

Plan 2017/18 to 2020/21' 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 20 January and the Panel meeting on 3 February 2017.

- 2. That the Panel add its support to the PCC if any representations need to be made to the Home Secretary with regards to the setting of the revised Funding Formula.**

Budget Task and Finish Group Meeting – January 2017

Ian Thompson Chief Finance Officer, OPCC and Linda Waters Director of Finance, TVP outlined the changes to the Medium Term Plan (MTP) following the provisional Police Grant settlement for 2017/18.

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 2017 are as follows:-

National information

- Brandon Lewis' statement announced a flat rate decrease in grant funding (Police Grant plus ex-DCLG Grant) of -1.4% in cash terms. 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.
- Top-slices/reallocations are worth £812m in 2017/18, some 42.0% higher than in 2016/17 (£572m). 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%. 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. 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. The Innovation Fund has been absorbed into the Transformation Fund.
- 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.
- Counter terrorism funding is negotiated separately to the police settlement.
- The Minister will decide in March whether the new formula is in a fit state to go out to public consultation.
- The impact and fallout from the Brexit decision in 2016 is still unknown in terms of when it may impact and what it may impact on in terms of policing.

Thames Valley

- The Government's 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 term cut in income has to be managed alongside the growth in complex and sensitive crime types, reinforcing the drive to continue to reform their service delivery model to ensure resources are focussed on priority services.
- The true scale of complex crimes such as rape and child sexual abuse is still being uncovered. E.g increase in reported report over the last three years was 106% and there will be a significant increase in demand for police services over the next three years due to new and complex crimes and increases in population.
- The recommended net revenue budget for 2016/17 is £392.262m which represents an annual increase of £5.419m or 1.4%. The revenue budget is fully balanced in 2017/18 with the delivery of £10.5m of savings and a 1.99% increase in council tax. The OPCC have commented that this supports the delivery of the Police and Crime Plan and the Force Commitment, including the Chief Constable's annual delivery plan objectives.

- The medium term financial plan (MTFP) is balanced in all three years. This has only been possible through the identification of £21.54m of budget cuts. The draft budget requires £10.5m of productivity strategy savings in 2017/18 with a further £11.0m in the following two years.
- The Priority Based Budgeting review has already challenged approx. 80% of Thames Valley services to ensure resources are being employed and are being delivered in the most effective way.
- The impact on police officer and staff numbers next year (2017/18) is a net reduction of 59 police officer posts and an increase of 22 police staff/PCSO posts.
- The main changes for this year include the implementation of the new Apprentice Levy, review of rateable values for police properties, valuation of the Local Government Pension Scheme and a realignment for base pay budgets for staff and officers.

Capital

- The MTCP for 2017/18 to 2019/20, comprises schemes costing £62.698m gross expenditure over the 3 year period. This includes £6.499m of projects previously identified in the 2016/17 capital plan, but which have been re-phased to allow for planning and tendering procedures. The MTCP is fully funded but requires the use of up to a further £4.537m from Improvement and Performance (I&P) reserve, bringing total I&P reserve funding to £10.942m over the plan term. No external borrowing is needed but at the end of the 3 year capital programme period all available capital reserves will have been fully utilised and the Improvement and Performance Reserve is expected to be reduced to £3.973m.
- The Plan does not currently include provision for future development of the Digital Policing Programme as plans continue to be reviewed and assessed against the national framework.
- Beyond the MTCP period financial considerations are likely to become increasingly acute; one-off windfall sales of finite assets such as police houses will become less prevalent, partner funding is likely to reduce and revenue reserves and support will become even more limited. It is therefore crucial that investment decisions 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. Over the coming years, alternative funding solutions are likely to be required and may include an increased return to borrowing.

Particular issues or concerns raised by Members:-

- Considerable uncertainty around the Emergency Services Mobile Communications Project – 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.
- The significant cost increases required and delay in timetable for the Contact Management Programme including the shortage of IT technical skills within the Force to deliver complex projects and the need to employ contractors.
- Budget allocation for cyber crime bearing in mind the figures for this in the latest national crime survey and the financial impact of local Forces investigating high profile cases.
- The impact of the new national funding formula for the allocation of core police grants – at this stage it is not known what impact the new formula will have or what additional grant top slices will taken from the police grant in 2018/19 and later years (risk total 12)

Budget Briefing in December

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

Financial Strategy

- The financial strategy remains similar to last year on the basis that overall police force budgets are maintained at current cash levels which assumed that PCCs increased the Council Tax by around 2% per annum.
- A review was being undertaken of the Police Core Distribution Formula commencing Autumn 2016. It is unclear exactly how this may affect TVP, however initial thoughts suggest that it could be detrimental to funding and could lead to further cuts in grants. The current Government intention is to bring this in for 2018/19 with an initial consultation period starting around February 2017. Should the review indicate that TVP may suffer a significant reduction in central grants then the recruitment and resourcing profile of the Force will need to be rapidly reviewed.
- The Government's drive to reform policing continues as illustrated by the potential future investment in the Transformation Fund and the drive for collaboration across emergency services, particularly with Fire and Rescue Service. The national Policing Vision 2025 sets out the plan for the police service over the next 10 years. The reform plan encompasses all areas of policing; Local Policing, Specialist Capabilities, the Workforce, Digital Policing and Business delivery.
- Nearly £88m of cash savings have been identified and removed from TVP revenue budget over the last six years; an overall cash reduction of around 25%.
- The latest MTFP indicates that further budget cuts of at least £18m will be required over the next three years but there are a considerable number of uncertainties and risks underlying the funding assumptions, hence the actual figure could be significantly higher.
- Although the Government has promised to protect local force budgets in cash terms 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.
- The reduced availability of finance will be a significant constraint on operational policing for the foreseeable future. However the PCC is confident that with previous financial planning, a proven productivity strategy and priority based budgeting process they are in a better position to respond to these constraints.

Points of clarification by the Task and Finish Group (December 2016)

Revenue

- Members congratulated TVP and the OPCC on the PEEL inspection programme which looks at how efficient Forces are and TVP had achieved a Good grade overall.
- Improved Service (page 17) Cllr Birchley referred to the review of the ICT strategy which had led to a reduction of £0.27m and asked why there was not an increase in investment in IT with threats such as terrorism and cyber-crime. The Director of Finance reported that terrorism and cyber-crime were major risks and that the costs of technology were rising significantly. However, the cost of national IT systems was expected to decrease slightly on previous years, which was why the budget had been

reduced. She referred to the fact that Microsoft licences had increased in price particularly since Brexit and that they needed more licences than originally thought. There were changes to the way information was now stored in the cloud rather than in data centres and technology had meant a reduction in police numbers. However, helping the vulnerable was very resource intensive and there were no easy answers to this.

- Cllr Patman also referred to cyber-crime and the impact this was having on local Forces. The Director of Finance reported that digital policing was being looked at nationally to ensure that sufficient resources were being used in this area. The Home Office has set up the Police Transformation Fund to help police reform and transformation but the Board got funding late in the year. Police Forces have been asked to submit bids for funding. This was a pump priming measure.
- Cllr Birchley asked whether the new systems being implemented could link into other systems. The Director of Finance reported that with collaboration their systems linked in with Hampshire and with the ERP system (Enterprise Resource Planning) there was also collaboration with Surrey and Sussex. It has been previously difficult to work with Forces as other Forces had been at different stages but now improvements and standardisation of services were coming together. The Director of Finance also referred to the work of their Regional Units and the provision of specialist services which were expanding.
- Cllr White asked for information on abbreviations.
- Members discussed the population growth and the growth of towns into rural areas. The Chief Finance Officer reported that there would be an increase in the tax base but in terms of receiving more money from Government this would depend on whether the Thames Valley grows at a faster rate than other areas in the Country. The council tax increase would not be sufficient to cover the cost of an increased population. Cllr Patman reported that whilst they had seen a rise in planning applications only a small proportion of those houses had actually been built.
- Funding formula – The Chief Finance Officer was part of the Group looking at this area nationally and he had concerns about how they would implement the new formula. This would not impact on the budget until 2018 and would be implemented over a 3-5 year period. There were no indications yet how it would impact on the Thames Valley. More details were likely in February.
- Following a question by Cllr McCracken, in terms of the proposed Council Tax level no referendum was being planned and the planning assumptions were a 1.99% increase, together with a 1.75% per annum increase in the billing base for the Thames Valley area. He then asked about the impact of future legislation. The Chief Finance Officer reported that police and fire had their own separate precept and there would be no cross subsidisation of service costs. There was now very little opportunity to make savings as these had all been undertaken in previous years and currently no option to access funding from other budget areas. However, savings could be identified through collaborative work.
- The Director of Finance went through funding assumptions, inflation, committed growth, current and improved service. Reserves continue to be utilised to support the overall objectives of the MTFP over the coming years, as well as supporting the capital programme and ICT strategy implementation. The minimum wage has impacted particularly on the custody contract and there was also the new apprentice levy. General police grants were to remain at a cash flat rate for the next three years based on a 1.99% increase.
- Cllr Birchley asked for clarification on the table on page 12 of the agenda. She commented that some of the figures varied – this was because of the new

apprenticeship levy, service improvements and an increase in the Local Government pension scheme.

- Cllr McCracken asked for clarification around current figures relating to paragraph 3.9. The Director of Finance referred to police officer wastage and that the Force planned for officers to stay for 30 years. Recruitment was undertaken in bulk based on these predictions. The budget currently showed a growth for potentially redeploying 60 FTE officers in 2017/18 at a cost of £0.66m in that year. This does create a shortfall in that year but the budget can, at this stage, support these officer numbers in 2018/19. To aid the continuity and reform of the service, it is recommended that these officer numbers are retained.
- Cllr McCracken asked a question concerning the delayed implementation of the Contact Management Programme and the temporary increase of 22.0 FTE staff. The Director of Finance reported that this was a complex programme and that they provided updates on this area to the PCC. The 22 staff would be phone operators and would maintain service levels in command and control but would not be required permanently once the system was up and running. Once the new system was up and running it would be much more streamlined as operators would not have to search different systems. Again phone operators were recruited en bloc, particularly as there was a high number and turnover of staff in this area.
- Cllr McCracken asked about capital projects and the impact of the budget on this area. The Director of Finance reported that in terms of the Emergency Service Mobile Communications Programme (Airwave Replacement Project) the overall cost of the project will exceed the current provision and it is recommended that an additional £1m be added to the Thames Valley allocation. She reported that no capital projects had been removed but the financing may have changed in some areas.
- Cllr White asked about PCSO posts. An assumption was made last year that a number of Local Authorities would cut their partnership funding for PCSO posts, however this was not the case and projecting forward they were not expecting any further reductions (21 posts). Establishment figures may change in January but the redeployment of 60 police officers had already been included.
- Cllr McCracken reported that the budget cuts within the report are quoted as £18 million at one point and £20.3 million at another. The Chief Finance Officer reported that these figures would be updated in January once further detail had been received from Government and more clarity about the amount of productivity savings required.
- Cllr McCracken asked about the Community Infrastructure Levy and whether the police were taking advantage of this funding. The Director of Finance reported that their Property Services had spent a lot of time discussing this with local Councils to maximise funding opportunities. Unfortunately, there had been some agreements in principle for some reasonable sums of money but they were based on projects which would not be implemented for a number of years.
- In terms of the Community Safety Fund, this had remained the same with an across the board reduction in grant allocations for 2017/18, due to the 10% top-slice for PCC commissioning. The PCC intended to review and if necessary update the formula allocation model next year before 2018/19 grant allocations are announced.
- Cllr McCracken asked about the review of property and premises costs. The Director of Finance reported that they were reducing the size of their premises and were also looking at the right level of maintenance to produce savings.

Capital

- Cllr McCracken referred to the Emergency Service Mobile Communications Programme which was a national project to replace Airwave with a digital solution and broadband coverage for all three emergency services. This is being managed as a collaborative project with TVP, Hampshire, Surrey and Sussex. He asked whether any revenue was needed to support this project. The Director of Finance reported that this project was supposed to produce savings in future years. There remains significant uncertainty regarding the required provision for devices but it was clear that the overall cost of the project will exceed the current provision. An additional £1m therefore has been added to the Thames Valley allocation, increasing it to £5.3m in total. This would be a one off cost and costs would hopefully be reduced with a 4 Force collaboration. Cllr McCracken asked about the timetable for this project. The Director of Finance reported that it was a national project which was experiencing delays and they were waiting for the new Programme. They were looking at mid February but it was being rolled out on a geographical basis with northern regions first. The Chief Finance Officer reported that they would look at what financing was available nearer the time. Borrowing was an option but this would have an impact on revenue.
- The Director of Finance stated that there were no new significant additions to the Capital Programme in terms of Property Schemes and they were focusing on Sulhamstead. They hoped to finish the teaching block this year. Additional work was being scheduled for Milton Keynes Police Station to keep the building fit for purpose. In terms of the Asset Management Plan an updated report was being presented to the PCC at his January meeting. This included a rephrasing of the budget for Reading Police Station and looking at suitable accommodation which would make it cheaper to run.
- There are a number of elements in the draft Programme which still require work and may be subject to change. There are current risks around the cost of the Contact Management Programme and these costs may increase in January. This project was technically very complex. However, once this system was in place it would transform services and police officers would be able to access information on smart phones. The Enterprise Resource Planning System contract has been let and they were in the final stages with a delivery deadline of 2018. Cllr McCracken asked whether this system was being used anywhere else? The Director of Finance reported that a number of Forces use it and integrated finance and human resources systems. Some Forces had struggled with its implementation but this system was also based on a 4 Force collaboration which would be a good basis for sharing good practice. Cllr Patman asked whether support was being given by the Police ICT Company ? The Police ICT Company was working with the NPCC to identify the best systems available and to identify a contract framework. They supported work being undertaken by Thames Valley. Savings could be achieved by national negotiations on licences.
- A paper had been circulated on the future delivery of CCTV which was still being considered. The Director of Finance reported that cameras were being replaced and referred specifically to M40. They were working with partners to identify where they would be benefits to implementation.
- The Director of Finance referred to capital receipts which were approximately £21 million and included the sale of inefficient premises which were being replaced by new accommodation. As Members were aware there were no requirements now for police houses and the stock was depleting considerably with little stock left in 2020. Capital grants received from Government were very small and did not cover costs, particularly

the large costs of vehicles. Earmarked reserves were being used to help fund the Capital Programme but the Improvement and Performance Reserve was diminishing rapidly.

- The Chief Finance Officer gave an update on Reserves Balances and Provisions. The current policy is to maintain a general balance around a guideline level of 3% of annual net revenue expenditure with an absolute minimal level of 2.5%. They were slightly above the 3% level at the moment at 4.54%. There was also a Conditional Funding Reserve which was not available to help with general operational policing. Based on current planning assumptions earmarked reserves will reduce from £32.3m as at March 2016 to £13.4m at 31 March 2020. There were no guidelines for retaining a certain level of earmarked reserves.
- There are two high risks that may impact on the level of general balances which is the Force is unable to deliver the £9.5 m of planned cash savings to be removed from the base budget during 2017/18 and the additional costs of one-off operational incidents or in-year emergencies which cannot be contained within budget or be fully grant funded from Government.

Background documents

<https://www.justiceinspectorates.gov.uk/hmic/wp-content/uploads/thames-valley-2016-value-for-money-profile-summary.pdf>
<https://www.justiceinspectorates.gov.uk/hmic/publications/peel-police-efficiency-2016-thames-valley/>

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. At the last meeting you were questioned on your 25 key objectives being deliverable. Please could you indicate how your budget supports your strategic priorities as follows:-
 - Vulnerability
 - Prevention and Early Intervention
 - Reducing Re-offending
 - Serious Organised Crime and Terrorism
 - Police Judgement and Reform

2. OPCC Risk 18 states the following ‘with crime becoming ever more complex and challenging to investigate and demand in policing services increasing, the level of funding forecast for the next three years is insufficient to deliver the planned outcomes in the PCC Police and Crime Plan 2017 to 2021.’ Yet you have stated that this budget supports the delivery of the Plan. Are you confident about delivery of your objectives ? How will you manage public and partner expectations in light of the 25 objectives above ?

3. Is the Force concerned about their capacity and capability to deal with cyber crime, terrorism, cse and complex crime bearing in mind there are risks around the retention and demand for specialist officers and trained detectives (plus changes in legislation which will make it less attractive for contractors to work for the public sector) which has not been allowed for within the MTFP?

Revenue & capital

4. a) How does Thames Valley Police Force benchmark itself financially against similar Forces? (both in terms of grant budget received and areas of spend).
b) Hampshire (our collaboration partner) police's chief constable Olivia Pinkney and crime commissioner Michael Lane have written to government demanding more cash as they say they receive a quarter less funding than needed.
 - As they have a similar cash change 1.3% as Thames Valley will you be making any representations to the Government?
 - You have commented in your papers that the biggest area of concern is the assumption being made regarding future levels of government grant and precept income. As forward planning is more important than ever (key requirements of the Prudential Code for Capital Finance) are you comfortable with your contingency arrangements and use of reserves and balances ?

5. a) Please could the PCC provide an update of the Force Productivity Strategy and Priority Based Budgeting Review process.
b) 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 ? What is the governance around the Productivity Strategy?
c) What specific savings has the PCC made in the 2016/17 financial year? How were these savings justified and what has been the impact of these decisions on service delivery? In particular the Review of Demand Led Operating Model has led to savings of

£3.2m – please could you give a breakdown of how these savings will/have been achieved and impact on service delivery.

6. In your October report you said ‘Should the Government review indicate that TVP may suffer a significant reduction in central grants then the recruitment and resourcing profile of the Force will need to be rapidly reviewed’. With current negotiations how likely do you think that this is to happen?
7. How do you scrutinise the budget to ensure value for money ? How regularly do internal and external audit processes consider value for money? Please could you provide the Panel with an update on the audits being conducted into the criminal justice system and PCC Governance (which includes the effectiveness of the framework in holding the Force to account) and also the CCTV review (refer to article below) ?

Thousands of crimes in London are going unsolved because police are failing to fully investigate CCTV footage, a former senior Met detective claimed today. Evening Standard

“Whilst we are told CCTV prevents crime, these figures indicate that crimes are ongoing and that CCTV is only used to investigate crime which has already happened. We have lived with these cameras for over 15 years now, isn’t it time we were told the truth about how they used, where they provide value and whether they are truly necessary to be everywhere we go.” Mick Neville, a former detective chief inspector

8. Under the Revenue Budget Summary you have other costs of £210,000 under PCC Controlled Expenditure – what does this include ? Are you happy that with your possible increase in responsibilities that you have enough resources in your office to deliver effectively ?
9. Would the PCC or Chief Constable be able to say how many defibrillators will be deployed and is there an estimate on how many lives may be saved over the lifetime of the devices?’
10. Do you feel that you have managed your property portfolio well in terms of selling properties at the right time in the market to gain the best possible capital receipts ?

Partnership Working

11. Has any consultation been carried out on the budget as other PCCs have done?
12. Community Safety Partnership Funding (Appendix 4 Current service) – will you be updating the formula allocation model before 2018/19 grant allocations are announced and how will you do this.
13. Can you see a change in responsibility by the public which is reducing demand on emergency services ? Have you any data on how your Demand and Vulnerability Model is reducing demand ?
14. How will the Force work closely with partners to deliver cost savings when there is likely to be a withdrawal of partner funds with the public sector strain and the continued financial viability of the private sector e.g possible withdrawal of funds for the street triage scheme.

15. The APCC Chair has welcomed the announcement that funding for victims' services in 2017/18 will be maintained at about the same level as 2016/17. In addition, they support the decision to repeat the £4.7m child sexual abuse fund. However they regret the decision to fund victims' services, once again, for only one year. As it stands PCCs are often unable to commission victims' services in the most effective way. As, importantly, service providers, including small charities who work hard to deliver services for some of the most vulnerable people in society, are unable to plan ahead and make the necessary strategic decisions. What do you think about this statement and are you able to put any plans in place for long term funding for domestic abuse and other key areas ? Will the Service Transformation fund for Violence against Women and Girls provide enough financial support to meet the level of demand for refuges in the Thames Valley ?

Transformation

16. Nationally HMIC noted: "we found evidence to suggest that some forces have reduced the pace and ambition of their plans since last year." The Government expects Police and Crime Commissioners (PCCs) and Chief Constables to do everything in their power to drive efficiencies at pace, and this settlement provides the opportunity to improve the quality of policing and continue to reduce crime.
- a) Do you feel that the pace and ambition has reduced ? If not please give examples.
 - b) How ready do you feel in terms of meeting policing's own vision for 2025.
17. The recent HMIC Peel reports for the Thames Valley have commented specifically on the ICT Strategy and how it was fully aligned and supporting Force's objectives and confirmed that progress was good. Is the PCC happy with the current progress, particularly with the significant cost increases required during the last 12 months for the Contact Management Programme and the timely delivery of large capital schemes and challenges in recruitment in this area?