

23<sup>rd</sup> January 2018**Purpose of this Report**

1. This report provides information on the provisional police funding settlement for 2018/19 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 2018/19 be set at £162,164,471.
  - That any variation in the final amount of council tax income be appropriated to General Balances
  - The revenue estimates for 2018/19 as set out in Appendix 2
  - That the police element of the council tax for 2018/19 be set at £182.28 for properties in Band D, with the charge for other bands as set out in Table 1.

Table 1 – Council tax 2018/19

Property Band	Relevant Proportion	PCC Element of the Council Tax £
A	6/9	121.52
B	7/9	141.77
C	8/9	162.03
<b>D</b>	<b>9/9</b>	<b>182.28</b>
E	11/9	222.79
F	13/9	263.29
G	15/9	303.80
H	18/9	364.56

**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 2018.
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 2018 to consider the PCC's revised precept proposals for 2018/19
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 2018/19 Police Finance Settlement was announced in an oral statement by the Minister for Policing and the Fire service, Nick Hurd, on Tuesday 19 December 2017. This was followed by a written statement shortly thereafter. This is attached at Appendix 1.

## **HEADLINES**

7. The key headlines are set out below:
  - Precept flexibility of up to £12 for all PCCs (or equivalents) in 2018/19
  - Flat cash grant funding i.e. the same allocations as in 2017/18 for Home Office Core Police Settlement, Ex-DCLG, and Legacy Council Tax
  - Updated assumptions around tax base growth – now using OBR figures of 1.34% in England
  - Including these assumptions on council tax and based on the 1.5% GDP deflator, the resulting settlement, including council tax, represents a “real terms” increase for all between 2017/18 and 2018/19
  - £450m additional funding for the service – includes £130m additional reallocation and approximately £147m as a result of additional council tax flexibilities.
  - £50m additional counter Terrorism funding and the remaining £123m can be considered as “new money”.
  - The minister’s letter to PCCs refers to this additional funding in addition to identified efficiency savings of up to £100m (procurement) to enable “appropriate provision for likely cost increases next year”.
  - Police capital grants have reduced from £77.2m in 2017/18 to £75.2m in 2018/19

## **CORE FUNDING**

8. The Government Core Funding (made up of Police Grant, ex-DCLG grant, the Welsh government funding and Welsh top-up) has been maintained at the same cash levels as in 2017/18.
9. Should each PCC raise their precept by up to £12, and the new tax base and inflation figures are used, then there will be at least ‘real terms’ funding increases for each force.
10. An assumption of an increased tax base of 1.34% for England and 0.8% for Wales is higher than the previous assumption of 0.5%. The Government has decided to use this OBR measurement as they feel it better reflects actual council tax base growth across England and Wales.

## **COUNCIL TAX REFERENDUM PRINCIPLES**

11. The Department for Communities and Local Government (DCLG) has published the draft council tax referendum principles. In 2018-19 all PCCs will be allowed to increase band D bills by as much as £12. This represents increases of between 5.34% (Surrey) and 12.2% (Northumbria).

## **POLICE OFFICER PAY**

12. Nick Hurd’s letter to PCCs and Chief Constables includes a reference to the police officer pay settlement. The additional funding announced together with procurement efficiencies as well as those identified in the HMICFRS Efficiency report are highlighted as “enabling PCCs to make appropriate provision for likely cost increases next year within your financial plans”. This includes both the remaining costs of the additional 1% non-consolidated element of the 2017 pay award as well as the likely costs of the 2018 pay award. Mr Hurd goes on to say that it is for police leaders to make proposals in relation to the 2018 pay award, reflecting what is affordable and fair to officers and taxpayers.

## **FUTURE SETTLEMENTS**

13. Nick Hurd’s letter and statement both state the Home Office’s intention to offer greater certainty on plans for 2019/20. Their intention is to maintain a broadly flat settlement

with the same precept flexibility but this is dependent on progress against a number of efficiency milestones to be agreed in the New Year.

## REALLOCATIONS

14. In 2018/19 the reallocations total £945m, £133m higher than in 2017/18 (£812m).

Table 2: National Reallocations

<b>Police Funding</b>	2017/18 (£m)	2018/19 (£m)
PFI	73	73
Police technology programmes	417	495
Arm's length bodies	54	63
Strengthening the response to Organised Crime	28	42
Police transformation fund	175	175
Special Grant	50	93
Pre-charge bail	15	4
<b>Total Reallocations and Adjustments</b>	<b>812</b>	<b>945</b>

15. The Police Technology Programmes reallocation has increased by £78m; primarily to meet additional costs associated with ESN.
16. Special grant has increased from £50m to £93m. The Home Office are forecasting an overspend in 2017/18; there is an additional £35m for the Commonwealth Heads of Government Summit as well as additional funding for counter terrorism and special investigations.

## POLICE TRANSFORMATION FUND

17. The Transformation Fund was first set up in 2016/17 and was worth £76.4m. In 2017/18 that amount rose to £175m but included the innovation fund. In 2018/19 it had been expected that value would rise again to nearer £300m. However, it will stay at the same cash value as in 2017/18.

## COUNTER TERRORISM

18. Counter Terrorism funding is negotiated separately to the police settlement. So any increases here should not impact on the rest of the police settlement.
19. The national Counter Terrorism Funding has been announced and is set to increase by £50m which is a 7% increase on last year. It is not yet known whether this additional funding is revenue or capital, however it is expected to be primarily distributed to forces with CT units.
20. According to the Government, this means that there will be a budget of £757m for counter terrorism in 2018/19, including £29m for armed policing.

## EMERGENCY SERVICES NETWORK (ESN)

21. 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.
22. 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. The 2017/18 Settlement included approximately £100m of funding for ESN under the heading 'Police Technology Programmes'.

23. However, since then the ESN project has fallen an estimated 15 months behind schedule. This delay means that forces may need to extend their Airwave contracts, which is likely to have associated costs in addition to the delayed savings from ESN. A paper circulated earlier in the year estimated the cost of a 12 month delay at £400m. It is not yet clear how these additional costs will be met and by whom.
24. It is understood that approximately £75m of the additional Police Technology Programmes reallocation is for ESN.

### **CAPITAL FUNDING**

25. Total Police Capital Grants have reduced slightly from £77.2m in 2017/18 to £75.2m in 2018/19. However, individual force allocations are unchanged from 2017/18

**Table 3: Capital Funding**

<b>2018/19</b>	<b>£m</b>
Police Capital Grant	45.9
Special Grant Capital	1.0
Police Live Services	13.1
National Police Air Service	15.2
<b>Total</b>	<b>75.2</b>

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

26. In 2018/19 the NICC grant for the City of London will remain at £4.5m. The NICC grant for MOPAC is also unchanged at £173.6m.

### **PRECEPT GRANT**

27. The City of London will receive an additional £0.9m due not having a police precept and therefore being unable to benefit from the increased precept flexibility. This will be funded through a reallocation from within the overall police settlement.

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

28. On 31st October 2017 MoJ announced that funding to PCCs for victims' support services will be maintained at £63.15m.

### **FORMULA REVIEW**

29. The Police Formula review is unlikely to be revisited until the next spending review.

### **THAMES VALLEY ALLOCATIONS**

30. As shown in Appendix 1 the PCC will receive the following grants in 2018/19.

Table 4: TVP grant allocations 2018/19

	2017/18 £m	2018/19 £m	Variation £m
Home Office Police Grant	139.248	139.248	0
Ex DCLG Formula Funding	72.855	72.855	0
<b>Sub-total</b>	<b>212.103</b>	<b>212.103</b>	<b>0</b>
Legacy council tax grants			
- Council tax support funding	11.906	11.906	0
- 2011/12 council tax freeze grant	3.372	3.372	0
<b>Total General Grants</b>	<b>227.381</b>	<b>227.381</b>	<b>0</b>

31. In addition to these general grants the PCC will also receive £2.765m from the Ministry of Justice to fund victim and witness services in 2018/19.

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

32. The budget presented today maximises the limited financial flexibility, offered by the two year window of opportunity in relaxing the council tax precept rules, to fund essential investments which will help deliver future savings without having to make unpalatable cuts in the short term to fund those investments. It will also ensure, as in the past, that all future savings and efficiencies are fully risk assessed and any necessary mitigating action are put in place before the changes are made.
33. In November 2017 Thames Valley Police (TVP) was judged by the Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) to be 'outstanding' in the efficiency with which it keeps people safe and reduces crime. This includes an 'outstanding' for its understanding of demand and its use of resources to manage demand, and its planning for future demand was judged to be 'good'. TVP was one of only two forces nationally to have been awarded an overall rating of outstanding. This evaluation reflects the determination of TVP to continue to deliver an effective and efficient service responding to the changes of the complexity and scope of crime as well as the changing needs of victims within the constraints of the Government's severe austerity drive.
34. The changing face of crime means we will continue to see an unprecedented increase in demand in some of the most complex and challenging areas of policing. Rising reports and cases of hidden crimes such as domestic abuse, child abuse, modern slavery, sexual offences, serious violence and exploitation have all increased the pressure on police resources. Our current Hidden Harm campaign reflects the priority we are giving to the area of vulnerability. In addition to the rise in crimes against the vulnerable we are seeing the unwelcomed increase in the more traditional crimes of burglaries and violence as well as the increased threat from terrorism, fraud and cyber-crime. The rise in crime and expectations from our communities have led to an unprecedented increase in call volumes with 999 calls increasing over 21% over the last 2 years.
35. In order to respond to the increasing and changing demands with our constrained financial position we must invest in the new technologies that will develop the digital police service of the future as envisaged in the Policing Vision for 2025. Unfortunately these technologies come at a significant cost, not only in the upfront purchase but also the underlying technological infrastructure they require and the ongoing maintenance and replacement. These technologies will improve our response to Threat, Harm and Risk, giving our staff quick and simple access to the information they need, when and where they need it. The medium term capital programme presented today details our investment plans and includes investment of £39m in technology over the 4 years to 2021. Unfortunately the efficiencies these technologies will deliver can only be realised

after the technology has been embedded in the organisation and the appropriate processes and service delivery models have changed.

36. We are committed to continuing our drive to make the service more efficient and appropriate for the current and future demands. Over the last seven years we have successfully implemented budget reductions of £99m, which equates to 26% of the net revenue budget in 2017/18. Whilst the drive is always to focus on maintaining staff numbers, with 78% of our budget currently spent on employee costs, these budget reductions have resulted in an unavoidable manpower reduction of 1,017 full time equivalent (FTE) posts, including 453 police officers.
37. To ensure we continue to drive out efficiencies and implement the necessary changes to embed new ways of working and efficiencies, we have streamlined our change process under the Governance and Service Improvement Chief Superintendent and developed the Priority Based Budgeting principles within our Efficiency and Effectiveness Programme. We are also undertaking a major review of the Joint Operations Unit with a view to making the service more efficient and responsive to current priorities. The additional financial flexibility offered in today's budget provides us the opportunity to ensure we understand the implications of any proposed changes, fully risk assess those changes and take any appropriate mitigating action.

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

38. 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.
39. As explained later in this report the revenue budget is balanced in all three years 2018/19, 2019/20 and 2020/21.
40. The Home Office has stated that grant will be maintained at current cash levels in 2019/20 and PCCs will be allowed to raise their Band D precept by £12 for two years subject to national targets on efficiency and productivity being met. No information is provided for grant in 2020/21 and later years; the working assumption is that grant will remain flat, and council tax precept will revert to a 2% increase in year three. The national review of the police funding formula has been 'parked' for the time being and is not likely to be introduced until after the next Comprehensive Spending Review.
41. 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, Modern Slavery and Cyber related crime 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**

42. Work on preparing the draft budget began shortly after the 2017/18 revenue budget was approved by the PCC in January 2017. 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.

43. 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.
44. 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.
45. 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**

46. In developing and refining the budget and the MTFP the following underlying assumptions have been made:
- General inflation is applied at 2.4% for 2018/19, 1.9% in 2019/20 and 2.0% in 2020/21, this aligns to the estimates for CPI as published by the Office for Budget responsibility (OBR);
  - 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 and recruitment issues;
  - Pay inflation has been allowed for at 2.0% per annum in each of the three years to reflect the increase in inflation and removal of the central government capping on pay increases;
  - Council tax precept to increase by £12 per annum in each of the next two years, with an increase of 2.0% in the final year;
  - Council tax billing base to increase by 1.3% in 2018/19, 1.7% in 2019/20 and 2.0% in 2020/21;
  - Police grants (Main Grant & Formula Grant) have been assumed to remain at the cash levels as notified in the provisional settlement for 2018/19 throughout the three year period;
  - 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 will predominantly support the MTCP but will be significantly committed by the end of the three year period;
  - The future investment in technology, whether direct capital purchase or revenue service contracts, will need to be funded by revenue given the diminishing reserves and the minimal level of annual capital grant.

## **Base Budget**

47. The starting point for the preparation of the 2018/19 estimates is the 2017/18 budget approved by the PCC in January 2017. The full MTFP is contained at Appendix 3.

## **Inflation**

48. This additional cost does not relate to any increase in service but is required just to maintain the existing base level of service and pay commitments.
49. Overall inflation for 2018/19 adds £7.90m (average rate of 2.01%) to the annual budget, a further £8.75m in 2019/20 (average rate of 2.15%) and £8.41m in 2020/21 (average rate of 2.01%). These increases are based on a realistic assessment of the impact of inflationary pressures over the next three years.

## **Committed Growth**

50. 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.
51. The main significant changes that have occurred in this section for 2018/19 include:
- An increase in the potential income that can be achieved through the Apprenticeship Scheme, by providing and reclaiming the costs of accredited training places for new Apprentices – (£0.250m)
  - Provision for the full year effect of the one-off non-consolidated Police Officer pay increase that was implemented in September 2017. This will require £0.650m for the 5 months in 2018/19 that is applicable for.
  - The implementation of a phased vacancy factor against the police pay budgets to take account of the current issues being experienced in maintaining and reaching the target establishment figures for Police Officers – (£3.5m)
52. Further details are provided at Appendix 4.

## **Police Officer Strength & Case Investigators**

53. There is currently a significant issue in relation to the recruitment and retention of police officers. For the purpose of the budget planning process, the following profile of recruitment and wastage has been applied against the planned establishment requirements. It should also be noted that the current year's productivity savings estimated that an additional 50FTE Officers could be released through the new operating model, however the reality of this against demand has meant that the officers could not be released and as such the anticipated reduction in establishment has been reinstated to the target establishment.



	2018/19	2019/20	2020/21	2021/22
<b>Opening Strength</b>	<b>3,776.97</b>	<b>3,768.97</b>	<b>3,778.97</b>	<b>3,788.97</b>
Wasteage - 21 per month	-252.00	-252.00	-252.00	-252.00
Transfers Out (CTPSE/ROCU)	-18.00	0.00	0.00	0.00
Recruitment	222.00	222.00	222.00	222.00
Transfers in	40.00	40.00	40.00	40.00
<b>Year End Strength</b>	<b>3,768.97</b>	<b>3,778.97</b>	<b>3,788.97</b>	<b>3,798.97</b>
Net Growth /(Reduction)	-8.00	10.00	10.00	10.00
<b>Target Establishment</b>	<b>3,878.50</b>	<b>3,878.50</b>	<b>3,874.50</b>	<b>3,874.50</b>
<b>Variance to Target Establishment</b>	<b>-109.53</b>	<b>-99.53</b>	<b>-85.53</b>	<b>-75.53</b>
<i>Recruitment of Case Investigators</i>	<i>95.00</i>	<i>-10.00</i>	<i>-10.00</i>	<i>-10.00</i>
<i>Total Additional case Investigators</i>	<i>95.00</i>	<i>85.00</i>	<i>75.00</i>	<i>65.00</i>

54. This profile assumes that the current high wastage rates reduce to more normal levels and that recruitment is maintain at a realistically achievable level. It should however be noted that should these assumptions vary then they could have a significant impact on the budget; if wastage does not return to normal (average 21 per month) and remains at a level of approximately 26 per month, then an underspend of up to £4.0m could occur in 2018/19. Conversely if wastage does return to normal and the recruitment achievement rate is maxed at 100%, then an overspend of up to £2.0m could occur in 2018/19.
55. Given the expected shortfall in police officer numbers, short-term staff Case Investigators are being recruited to support the operational delivery of the force. The MTFP therefore includes funding for an additional 95 FTE staff case investigators. These have been profiled against the assumed net increase in officers and reduces year on year to support the overall shortfall in officer numbers.

### Current Service

56. 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 2018/19 include:
- A review of debt charges based on the current levels of borrowing and financing.
  - Growth has been included for the PCC to utilise current earmarked reserves for community safety initiatives, this will be an additional £0.10m in each of the next two years.
  - A review of the negotiations to the Abingdon PFI contract suggest that anticipated savings of £0.25m will not be realisable in 2018/19 and have been moved back to 2019/20.
  - The inclusion of phased growth for Case Investigators to support the operational delivery due to problems in attaining the required police officer numbers as highlighted above - £3.04m
  - An increase in the staff overtime provision for Force Intelligence and Specialist Operation (FISO) to account for the civilianisation programme that has been

undertaken and the increase in demand and work in these specialist areas - £0.25m.

57. Further details are provided at Appendix 4.

### **Improved Service**

58. 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 2018/19 include:

- Investment in Technology and Infrastructure – Due to the lack of capital grant it is necessary to fund Technology Investment, by Direct Revenue Funding. Provision has been made for £2.2m in 2018/19, increasing to £13.5m by 2021. In future years it is anticipated that some of these costs will be revenue expenditure such as cloud storage.
- Additional posts to support the level of demand in the CSE/PVP and MASH teams - £0.636m
- Growth has been included for the development and management of the South East Regional Integrated Policing (SERIP) team at £0.32m
- Over the next 2 years, there are a number of known large operations and events taking place for which police planning and intelligence gathering will be imperative, therefore a two year increase in the Major Operations team has been included at £0.146m
- One off funding of £0.25m has been included to support works in Windsor to improve security
- An extension for the temporary staff working on the Public Enquiries for a further 12 months, costing £0.197m
- The ICT Business Partnering costs have not reduced as much as expected in previous estimates and this has meant an increase in the budget of £0.27m
- The new ICT Road Map has been developed and scrutinised jointly between Thames Valley and Hampshire, with all the initiatives being prioritised in accordance to the necessity and requirement to implement changes or upgrades. This review has added an additional £1.64m of revenue consequences to the base budget.

59. 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**

60. 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 2018/19 and the change to those applied in 2017/18

Table 5

	2017/18 £m	2018/19 £m	Change £m
<i>Appropriations from general balances</i>			
- Additional Bank Holidays	0.215	-0.215	-0.430
- Police Officer Non-Consolidated Pay Award 2017	0	0.650	0.650
	<b>0.215</b>	<b>0.435</b>	<b>0.220</b>
<i>Appropriations from the Improvement &amp; Performance Reserve</i>			
- Data Centre – resilience and move	0.520	0.000	-0.520
- TSU - Air Conditioning Replacement	0.250	0.000	-0.250
- Kingfisher Court Electricals	0.025	0.200	0.175
- Lodden Valley – Custody ventilation	0.190	0.000	-0.190
- Fountain Court maintenance	0.180	0.000	-0.180
- Maidenhead – Lighting/Asbestos	0.000	0.164	0.164
- Lodden Valley – Lighting/Asbestos	0.000	0.415	0.415
- Temporary CRED staffing	0.770	0.000	-0.770
- Force Change Board initiative	0.150	0.000	-0.150
- UCI Public Enquiry	0.197	0.197	0.000
- ICT Rationalisation funding	0.986	0.762	-0.224
- ICT 2020 Programme Resources	0.309	0.000	-0.309
	<b>3.577</b>	<b>1.738</b>	<b>-1.839</b>
<i>Appropriations from the Community Safety Reserve</i>	0.000	0.100	0.100
<b>Total</b>	<b>3.792</b>	<b>2.273</b>	<b>-1.519</b>

### Force Productivity Strategy Savings

61. 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.
62. In the four year Comprehensive Spending Review (CSR) period 2011/12 to 2014/15 £59m of cash savings were delivered, with a further £40m in the last three years. Overall, in the last seven years some £99m has been removed from the base budget.
63. Although cuts in Home Office grant have been reduced over the last two years, with a flat cash settlement in 2018/19, we are still facing a real terms reduction year on year in Home Office grant funding which is mitigated by the increase in precept flexibility afforded to PCCs. 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 and ensuring our resources are directed to priority areas.
64. It is more important than ever that we continue to strive for continuous improvement by challenging the service we deliver and how we deliver it, to ensure we focus our resources on our priority areas. Following the Priority Based Budgeting (PBB) review and the formation of the Governance and Service Improvement department the future delivery of the productivity strategy has been revisited and re-energised into the Efficiency and Effectiveness Programme led by the Chief Superintendent, Governance and Service Improvement. The programme will consider demand levels, functional processes rather than departmental structures, and building for the future. Reviews will continue to utilise the PBB methodology and focus on method changes, volume changes and service level changes. In addition to this work a major review of the Joint Operations Unit (JOU) is in progress which is identifying where savings and efficiencies could be achieved through changing the service delivery method. The implications to service delivery and the wider force will need to be fully assessed before firm

recommendations can be made. This work will continue and identified efficiencies will be incorporated in the appropriate year's productivity strategy.

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 ongoing implementation of a tri-force ERP system to replace the existing HR, Finance and Duties platforms has now slipped and it is not expected that the savings identified will materialise in 2018/19 and, as such, they have been moved back to the final year of the period – the impact of this is a cost of £0.77m in 2018/19.
  - The implementation of the CMP programme has also had a number of delays in the final implementation and again, to be prudent, the savings have been moved back to the final year of the plan, resulting in a cost of £1.66m in 2018/19.
  - The introduction and agreement to regionalise the Special Branch functions is due to be implemented in 2018/19 and, as such, this will realise a new saving of circa £0.25m.
  - A review of the assisted travel policy and the overall costs of this have allowed a new saving of £0.10m to be added to 2018/19.
  - Previous reviews and expectations of additional savings from rationalising CCTV across the force and with partner agencies has not delivered the expected savings, and as such will add a cost of £0.10m to 2018/19.
  - The national programme to implement the new Emergency Services Network (ESN) to replace the existing Airwave contract has again been pushed back and as such the anticipated savings for 2018/19 have also been delayed, adding a cost of £0.37m.
  - The force has recently undertaken a review of all the vacant positions that are currently being held in light of whether these positions need to be filled or could be given up permanently as savings. The result of this exercise has identified a number of positions to be removed with a saving of £0.40m in 2018/19.
  - The anticipated saving on police officer posts as part of the new operating model has been reviewed and removed, maintaining the establishment target, at a cost of £1.84m in 2018/19
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.
70. **2018/19 Establishment Changes**
71. 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.

72. 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 2018</b>	<b>3,827.50</b>	<b>2,624.14</b>	<b>422.00</b>	<b>6,873.64</b>
<i>2017/18 In Year Adjustments:</i>				
Reinstate Phase 2 operating Model	50.00			<b>50.00</b>
TUPE Staff		(4.00)		<b>(4.00)</b>
Major Crime Restructure		9.00		<b>9.00</b>
Other Adjustments	3.00	1.00		<b>4.00</b>
<b>Revised Estimated Establishment at March 2018</b>	<b>3,880.50</b>	<b>2,630.14</b>	<b>422.00</b>	<b>6,932.64</b>
<i>2018/19 Adjustments:</i>				
Civilianisation of Contact Management Sgts	(8.00)	8.00		-
Productivity Plan Savings				
Review of Vacant Staff Posts	(5.00)	(3.00)		<b>(8.00)</b>
PCSO Partner Reviews			(11.00)	<b>(11.00)</b>
Criminal Justice Restructure	(1.00)	(10.08)		<b>(11.08)</b>
Review of Operating model		(1.46)	5.00	<b>3.54</b>
Windsor Guard productivity reinstated			2.00	<b>2.00</b>
	(6.00)	(14.54)	(4.00)	<b>(24.54)</b>
Growth				
Temporary CRED Staff Reduction		(22.00)		<b>(22.00)</b>
MASH & CSE Growth		13.00		<b>13.00</b>
Major Operations Team - Temporary Uplift	4.00			<b>4.00</b>
Case Investigators - Temporary Growth		95.00		<b>95.00</b>
	4.00	86.00	-	90.00
<b>Estimated Establishment at March 2019</b>	<b>3,878.50</b>	<b>2,701.60</b>	<b>418.00</b>	<b>6,998.10</b>
<i>2019/20 Adjustments</i>				
Productivity Plan Savings		(27.00)	(10.00)	<b>(37.00)</b>
Reduce Case Investigators - Temporary Growth		(10.00)		<b>(10.00)</b>
<b>Estimated Establishment at March 2020</b>	<b>3,878.50</b>	<b>2,664.60</b>	<b>408.00</b>	<b>6,951.10</b>
<i>2020/21 Adjustments</i>				
Productivity Plan Savings		(76.60)		<b>(76.60)</b>
Remove Temporary Major Ops Uplift	(4.00)			<b>(4.00)</b>
Reduce Case Investigators - Temporary Growth		(10.00)		<b>(10.00)</b>
<b>Estimated Establishment at March 2021</b>	<b>3,874.50</b>	<b>2,578.00</b>	<b>408.00</b>	<b>6,860.50</b>

## 2018/19 Budget Summary

73. Table 7 provides a summary of the 2018/19 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 - Revenue estimates for 2018/19

	£m
<b>Base budget 2017/18</b>	<b>392,631</b>
In-year virements	1,590
<b>Adjusted base budget 2017/18</b>	<b>394,221</b>
Inflation	7,898
Committed expenditure	-3,766
Current service	3,542
Improved service	4,882
Productivity Strategy savings	-2,561
Appropriation from reserves	1,519
<b>Proposed budget 2018/19</b>	<b>405,735</b>

## Medium Term Financial Plan (2018/19 – 2020/21)

74. 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 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

	2018/19	2019/20	2020/21
	£'000	£'000	£'000
Annual Base Budget	392,631	405,735	419,312
In Year Virements	1,590	0	0
Inflation	7,898	8,751	8,414
Productivity Savings	-2,561	-3,555	-8,111
Committed Expenditure	-3,766	403	1,518
Current Service	3,542	-598	-293
Improved Service	4,883	7,245	4,655
In Year Appropriations	1,519	1,330	889
<b>Net Budget Requirement</b>	<b>405,735</b>	<b>419,312</b>	<b>426,384</b>
<b>Total External Funding</b>	<b>-405,735</b>	<b>-419,312</b>	<b>-426,384</b>
<i>Cumulative Budget (Surplus)/Shortfall</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Annual Budget (Surplus)/Shortfall</i>	<i>0</i>	<i>0</i>	<i>0</i>

## Budget Risk & Uncertainties

75. As already identified there is an increasing demand on the police arising from new and emerging crimes but it is very difficult to predict with any degree of certainty the growth

in resources required to deal with this changing demand. The CCMT constantly reviews resourcing levels across the force, changing the resourcing levels of individual units where necessary, within the overall budgetary constraints

76. The retention and recruitment of police officers has caused significant concern over the past 12 months. It is very difficult to predict wastage levels (officers only have to give 1 months' notice) and to estimate the future success of current new recruitment and retention campaigns initiated under the current workforce gold group. Variations in police officer numbers can have a significant effect on the revenue budget.
77. The Public sector pay cap was lifted by the Treasury in the 2017 autumn budget. At this stage we do not know what the various pay bodies will recommend for the 2018 annual pay awards, but the letter from the Minister for Policing and Fire (Nick Hurd MP) indicated that the additional funding available next year should enable forces to make appropriate provision for 2018 pay awards. The MTFP includes provision for the non-consolidated police pay award in 2017 and a 2% uplift thereafter. A 1% pay award for both officers and staff equates to circa £3m.

### **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 maintained the 2018/19 Grant allocations at a cash flat level compared to 2017/18 (i.e. no reduction, but no increase for inflation) and has stated its intention to maintain a broadly flat police grant in 2019/20 and repeat the same precept flexibility to allow PCCs to raise an additional £1 per month of local precept in 2019/20. However, this is dependent on the police service nationally delivering clear progress against agreed milestones on productivity and efficiency in 2018. This information has helped to balance the budget in 2018/19 and 2019/20. At this stage there is no indication as to what the grant settlement will be in 2020/21. A 1% change in core grants equates to approximately £2.1m per annum.
  - The Home Office review of the national funding formula is still being discussed, but no further information is expected until later in 2018. Again each 1% change in funding would have an impact of approximately £2.1m per annum.
  - The rules around increases in council tax precept have been changed in the current year, with PCCs being allowed to increase council tax by up to £12 for a band D property in 2018/19. The Home Office has indicated that this will follow through to 2019/20 and is part of the assumptions for this MTFP. However, this is likely to be a local decision for the PCC as part of the next budget round for 2019/20. Each 1% reduction in council tax, from the 7% increase currently assumed, equates to around £1.6m.
  - The MTFP also assumes growth in the taxbase of 1.3% rising to 2.0% over the period. The increase in taxbase reflects a lower increase than in previous years, but an increase over the period to recognise the fact that house building continues to expand and flourish in some parts of the Thames Valley. Should this not be the case then receipts from the Council Tax could be lower than anticipated.
  - The impact and fallout from the Brexit decision in 2016 is still much unknown in terms of when, what and how it may impact on 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 does present potential financial risks as the rapid pace of technology can be hard to predict and financially plan for. The national programmes are starting to move rapidly but the infrastructure requirements and implications for individuals forces can be difficult to identify until the national model has been agreed, hence not providing forces with sufficient time to financially plan for changes. Given the limited capital resources available to the force, the decision as to whether technology is financed as new capital investment or as a revenue service, is underlined by the fact that the financial cost will have to be met by the revenue budget.

### **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:
- The renewed Efficiency and Effectiveness Programme will continue to be developed to ensure resources are being directed to our priority areas, and that service delivery is not undermined by funding issues.
  - The review of the Joint Operations Unit will continue to assess the implications of the proposed changes in service delivery with a view to making recommendations on where efficiencies can be achieved
  - Further investment in national programmes, and delivery of major technology 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.
  - The use of revenue to support the capital investment programme could be reviewed and reduced in future years, however this would require additional borrowing for the force if those capital schemes are to continue and be implemented.
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 ongoing Brexit process nationally.

### **IMPLICATIONS FOR COUNCIL TAX**

#### **Public Consultation**

82. As stated in paragraph 7 above the Home Secretary announced additional investment in policing by up to £450m year on year in 2018/19. However, this level of income is



dependent on all PCCs increasing their Band D precept by up to £12 which, nationally, will raise around £270m.

83. In TVP, a £12 increase in council tax equates to a just over 7%. Before implementing this level of increase the PCC decided to consult local council taxpayers to gather their thoughts and opinions. A short on-line survey, attached at Appendix 7a, was launched on 22<sup>nd</sup> December with a closing date of Thursday 11<sup>th</sup> January. In order to reach as many people as possible, it was sent to:
- All users of TVP Alert – at least 80,000 residents
  - All town and parish councils
  - All councillors from county, unitary and district councils
  - All media in the TVP area via a press release
  - Regular social media updates via Twitter
84. In total, 5,600 people voted, of which 4723 or 84.3% voted yes
85. A detailed analysis of the consultation respondents is provided in Appendix 7b.
86. Two additional questions were asked of those that did not support the increase. The first of which was ‘Why do you feel this money would not be spent well?’ A summary of the responses received, sorted into broad categories, is set out below:
- Thames Valley Police should manage on existing budget and/or make further savings or review their spending priorities – 244
  - Additional funding should be provided by government through income tax or savings made elsewhere at national level - 144
  - Not satisfied with current service provided by police and/or don’t want to provide additional funding and still get the same service – 111
  - Council tax is already too high and/ or cannot afford to pay more – 102
  - Not clear on the benefits / wouldn’t benefit their area and/ or is not clear it would benefit local or operational policing – 94
  - Do not agree that council tax is a fair way to charge residents of the Thames Valley and/or should be a flat rate - 24
  - The amount requested isn’t enough and should be more – 15
  - Police and Crime Commissioner role should be abolished – 14
87. The second question asked ‘What would you propose as an alternative annual increase that you believe is justified and will enable Thames Valley Police to do their job effectively?’ A summary of the answers received is provided in Appendix 7b. However, it must be recognised that there were a range of individual answers and it has been quite a challenge to group them together under broad headings and this has been a subjective, rather than scientific exercise. Should we go down the public consultation route in future years then a change of approach would be required e.g. providing a range of options for people to support rather than providing a free text narrative response.
88. In addition to casting their vote over 1000 local residents submitted comments as well. All comments have been read and at least 130 respondents have received a reply.

### **Implications for Council Tax**

89. 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 2018/19. These levels of grant income are determined independent of the PCC’s planned spending budget for the year.

## Surplus on Collection Funds

90. It is currently estimated that, based on provisional council data, the PCC will receive approximately £1.7m in 2018/19 as its share of the net surplus on the billing authorities' Collection Funds, details of which are provided in Appendix 7.

## Funding the 2018/19 Revenue Budget

91. Table 9 shows how the 2018/19 revenue budget will be financed.

Table 9

	£m	%
Police grant	139.249	34%
Ex-DCLG formula grant	72.855	18%
<b>Total formula grant</b>	<b>212.104</b>	<b>52%</b>
Council tax precept (estimate)	162.164	
Council Tax surplus on collection funds (estimate)	1.666	
<b>Total council tax</b>	<b>163.830</b>	<b>40%</b>
Legacy council tax grants	15.278	4%
Other specific grants	14.523	4%
<b>Total specific grants</b>	<b>29.801</b>	<b>8%</b>
<b>Total Financing</b>	<b>405.735</b>	<b>100%</b>

## Council Taxbase

92. 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.
93. In total, the provisional estimate of the 2018/19 taxbase for the PCC is 889,645 Band D equivalent properties, as Appendix 7 illustrates. This represents an annual increase of 11,677 properties or 1.33%.

## Band D Council Tax

94. The band D council tax proposed for 2018/19 is £182.28, an increase of £12.00 or 7.05% on the comparable figure for 2017/18
95. As shown in Appendix 9 our current 2017/18 band D council tax of £170.28 is below the English national average of £178.81. The appendix also shows that TVP is significantly below average in terms of net cost per 1000 population when compared to other forces (£159,405 compared to £189,073). 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.

## LOCAL GOVERNMENT ACT 2003

### Robustness of estimates and adequacy of reserves

96. 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**

97. A separate agenda item shows the latest position on reserves, balances and provisions.
98. Based on current planning assumptions general revenue balances will stay slightly above the approved 3% target level throughout the next 3 years.
99. Earmarked reserves are forecast to reduce from £34.7m on 1st April 2017 to around £14.3m by 31st March 2021, including £2.1m in the Conditional Funding and SEROCU reserves which are not available to support general operational policing.
100. Accumulated capital grants and reserves will be fully utilised by the end of 2020/21

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

101. 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.
102. There are a significant number of risks regarding the draft budget proposals and these are clearly set out in paragraphs 75 to 78 above and in Appendix 6.
103. By themselves none of these risks are particularly significant, however, collectively they represent a gradual and escalating build-up of financial pressure on the Force that will need to be closely monitored during the year and the next iteration of the MTFP will be updated accordingly.

## **Scrutiny**

104. The draft budget proposals were presented to and scrutinised by the PCC at the Level 1 public meeting on 16<sup>th</sup> November. 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 20<sup>th</sup> November. They are next due to meet on 29<sup>th</sup> January.

## **Achievability and risks**

105. Attached at Appendix 6 is a budget risk and sensitivity analysis for 2018/19. 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.
106. 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.
107. In addition, the Force continues to identify future budget savings through its ongoing Productivity Strategy, as referred to in paragraphs 61 to 69 above
108. Accordingly, the assessment of budget risks presented at Appendix 6 takes into account the mitigating factors identified above.

109. Similarly, Appendix 6A shows the risks to the medium term financial plan (2019/20 to 2020/21).
110. 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.
111. 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 Police and Crime Plan 2017-2021.
112. In response to the inherent risk in the timely delivery of large capital schemes within time and budget a new earmarked Optimisation Bias reserve has been created, based on HM Treasury Guidance on capital projects. This reserve is currently valued at £12m.
113. The Force uses recognised project management techniques including programme and project boards to manage all major schemes. In addition, the Force Strategic 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.
114. All capital schemes are managed by:
  - rigorous monitoring of projects.
  - close liaison with project partners
  - closely monitoring staff vacancies and using contractors where appropriate.

### **Council Tax Capping**

115. 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.
116. On 19 December the Secretary of State for CLG published the draft referendum principles for 2018/19. All PCCs are allowed to increase their basic amount of council tax by £12; only increases above £12 will be deemed excessive and require a formal referendum.

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

117. 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**

118. The 2018/19 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.
119. 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 46 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.

120. The provisional settlement enabled each PCC to increase the police element of council tax by £12 a year for a band D property in 2018/19. The results of the short public consultation exercise prove that local residents are happy to pay that amount to protect local operational policing in the Thames Valley
121. The PCC is reminded that his responsibility for setting the annual budget and council tax precept for 2018/19 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.

## **CONCLUSIONS**

122. The revenue budget is fully balanced in all 3 years 2018/19 to 2020/21, with a £12 increase in precept in 2018/19 and 2019/20.
123. The MTFP provides for inflationary increases, limited growth to mitigate increasing demand and complexity in priority areas, as well as essential investment in technology to support transforming service delivery to meet future expectations. This supports the delivery of the Police and Crime Plan and the Force Commitment.
124. The Force continues to prioritise its work on the Productivity Strategy to ensure resources are directed to priority areas and that services are delivered in the most effective and efficient manner. This work focuses the drive for continuous improvement, improved efficiency and alignment of resources with demand. It will continue to release savings in future years in order to address future unquantified demands and provide additional resource to reinvest in priority policing areas.
125. As shown above the current MTFP requires revenue savings of at least £14.3m over the next three years. This is over and above the £99m of cash savings already removed from the base budget in the last seven years (i.e. 2011/12 to 2017/18) meaning that, over the ten year period 2011/12 to 2020/21, in excess of £113m will have been taken out of the base revenue budget.