



**Report for Decision to the Level 1 Public Meeting on 22<sup>nd</sup> January 2018**

**Title: Revenue Estimates 2019/20 and Medium Term Financial Plan 2019/20 to 2022/23**

**1 Purpose of Report**

- 1.1 This report provides information on the provisional police funding settlement for 2019/20 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.

**2 Decisions Required**

- 2.1 The PCC is asked to notify the Police and Crime Panel:
- 2.2 That the council tax requirement for 2019/20 be set at £186,558,099.
- 2.3 The revenue estimates for 2019/20 as set out in Appendix 1
- 2.4 That the police element of the council tax for 2019/20 be set at £206.28 for properties in Band D, with the charge for other bands as set out in Table 1.

**Table 1 – Council tax 2019/20**

Property Band	Relevant Proportion	PCC Element of the Council Tax £
A	$\frac{6}{9}$	137.52
B	$\frac{7}{9}$	160.44
C	$\frac{8}{9}$	183.36
D	$\frac{9}{9}$	206.28
E	$\frac{11}{9}$	252.12
F	$\frac{13}{9}$	297.26
G	$\frac{15}{9}$	343.80
H	$\frac{18}{9}$	412.56

### **3 Background**

- 3.1 The PCC is required to notify the Thames Valley Police and Crime Panel of his proposed council tax precept by 1st February 2019.
- 3.2 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 2019 to consider the PCC's revised precept proposals for 2019/20
- 3.3 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.

### **4 PROVISIONAL POLICE FINANCE SETTLEMENT**

- 4.1 The Provisional 2019/20 Police Finance Settlement was announced in an oral statement and a letter to the Home Affairs Select Committee by the Minister for Policing and the Fire service, Nick Hurd, on Thursday 13 December 2018. This is attached at Appendix 2.

#### **HEADLINES**

- 4.2 The key headlines are set out below:
- **Headline of £970m additional funding for the service – includes**
    - £161m additional formula funding,
    - £153m of pension grant,
    - £59m additional funding for Counter Terrorism,
    - £90m additional funding to tackle Serious and Organised Crime and
    - £509m as a result of additional council tax flexibilities.
  - **Of the £970m approximately £813m is for local policing**
    - £509m precept
    - £143m (£153m-£10m for NCA and CT) pension grant
    - £161m additional Funding.
  - **Precept flexibility of up to £24** for all PCCs (or equivalents) in 2019/20.
  - **£161m additional grant funding** – made up of £146m increase in core grant, £12m additional NICC payments and £2.7m precept grant.
  - The settlement, including council tax and pension grant, represents an average cash increase (total funding) of 7.1% between 2018/19 and 2019/20.
  - £160m additional Counter Terrorism funding (announced at the 2018 Autumn Budget) equivalent to an annual increase of £59m; an 8% increase on total CT funding.

- New Requirements - The minister's letter refers to the requirement to "drive efficiency, productivity and effectiveness".

## **CORE FUNDING**

- 4.3 The Government Core Funding (made up of Police Grant, ex-DCLG grant, the Welsh government funding and Welsh top-up) has increased by 2.1% in cash terms between the 2018/19 and 2019/20 settlement. This is equivalent to an additional £146m.
- 4.4 This £146m plus an additional £12m for the NICC grants (see section below) and £2.7m precept grant for the City of London sums to the £161m headline increase in grant funding.
- 4.5 If each PCC raises his/her precept by up to £24, based on updated tax base assumptions (see below), then there will be an average increase in total income of 7.1% in cash terms. Increases for individual PCCs range from 5.8% in Cleveland to 11.8% in the City of London.

## **WHAT'S EXPECTED IN RETURN**

- 4.6 The 2019/20 settlement provides more funding than had been previously expected. The letter to the Home Affairs Select Committee (HASC) outlines the Policing Minister's 4 priority areas to "drive efficiency, productivity and effectiveness next year":
1. Continued efficiency savings in 2019/20 through collective procurement and shared services. There will be an expectation that every force contributes substantially to procurement savings and the Home Office will be working with the police to agree the "right force level objectives for 2019/20 and 2020/21".
  2. Major progress expected to resolve challenges in investigative resource identified by HMICFRS, including recruitment of more detectives to tackle the shortfall.
  3. Continue to improve productivity, including smarter use of data to deliver £50m of productivity gains in 2019/20.
  4. Maintain a SOC response that spans identification and management of local threats as well as support for national priorities.

## **DOES THIS ADDITIONAL FUNDING COVER THE ADDITIONAL PENSION COSTS IN 2019/20?**

- 4.7 Recent changes to the way in which police pensions are calculated means that the police, as well as other "unfunded" schemes, will see a sharp increase in costs. These costs, for the Police, are now estimated to be approximately £330m (£302m for police officers and a further £28m for MPS Civil Servants).
- 4.8 In 2019/20 the Treasury are providing forces with an additional £142.5m pensions grant in addition to the £161m core funding. In some forces the combined grants cover the full pension costs, in others, such as Thames Valley, there is a shortfall and hence a balance to be funded locally. In TVP the funding shortfall is £0.7m.

## COUNCIL TAX

- 4.9 The Ministry for Housing, Communities and Local Government has published the draft council tax referendum principles. In 2019/20 PCCs will be allowed to increase band D council tax by as much as £24, although in Wales there remains no referendum limits.
- 4.10 Nationally, the additional £24 precept, combined with assumptions on increasing tax base (see below) is worth an additional £509m. In terms of net revenue budgets £509m nationally is equivalent to 4.3%.
- 4.11 This additional £24 represents increases in council tax of between 9.3% (North Wales) and 18.7% (West Midlands). The Thames Valley figure is 13.2%
- 4.12 The City of London, who do not levy a police precept, have been allocated £2.7m precept grant in 2019-20 (see section below).

## TAX BASE ASSUMPTIONS

- 4.13 The Home Office have updated their tax base assumptions to reflect the latest forecasts from the Office for Budget Responsibility – namely a 1.41% increase in England and a 0.8% increase (no change) in Wales.

## REALLOCATIONS

- 4.14 In 2019/20 the top-slices/reallocations total £1,029m, £84m higher than 2018/19 (£945m).
- 4.15 The settlement announced an additional £90m to tackle Serious and Organised Crime (SOC). This is likely to be made up from the £56m additional reallocation plus the additional £38m under the heading “Strengthening the response to organised crime”

**Table 2: National Reallocations**

<b>Police Funding</b>	<b>2017/18 (£m)</b>	<b>2018/19 (£m)</b>	<b>2019/20 (£m)</b>
<b>o/w Reallocations and adjustments</b>	<b>812</b>	<b>945</b>	<b>1,029</b>
PFI	73	73	73
Police technology programmes	417	495	495
Arm’s length bodies	54	63	63
Top-ups to NCA and ROCUs			56
Strengthening the response to Organised Crime	28	42	90
Police transformation fund	175	175	175
Special Grant	50	93	73
Pre-charge bail	15	4	4

- 4.16 Special grant has decreased from £93m to £73m; the grant total rose last year as the Home Office anticipated additional funding for the Commonwealth Heads of Government Summit.
- 4.17 The transformation fund will remain the same, in cash terms, at £175m.

## COUNTER TERRORISM

- 4.18 At the Autumn Budget the Chancellor announced an additional £160m for counter terrorism policing, but that figure was higher than the figure announced at the 2015 Spending Review. In terms of a year-on-year increase the figure is just £59m, representing an 8% rise in counter terrorism funding between 2018/19 and 2019/20.
- 4.19 This additional funding will bring the total CT funding to £816m, including a £24m uplift in armed policing from the Police Transformation Fund.
- 4.20 PCCs will be notified of their force allocations separately as allocations are not made public.

## CAPITAL FUNDING

- 4.21 Police Capital Grants have increased very slightly from £75.2m in 2018/19 to £76m in 2019/20.

**Table 3: Capital Funding 2019/20**

	<b>£m</b>
Police Capital Grant	46.9
Special Grant Capital	1.0
Police Live Services	13.1
National Police Air Service	11.5
Arm's Length Bodies	3.5
<b>Total</b>	<b>76.0</b>

## NATIONAL AND INTERNATIONAL CAPITAL CITY (NICC) GRANT

- 4.22 In 2019/20 the NICC grant for the City of London has increased by £0.305m (7%) to £4.8m, and MOPAC will receive 7% more (£11.7m) at £185.3m.

## PRECEPT GRANT

- 4.23 In 2018/19, when all other force areas were allowed precept flexibility of up to £12, the City of London received an additional £0.9m due not having a police precept and therefore being unable to benefit from the increased precept flexibility. This year that precept grant has risen to £2.7m. This is funded through a reallocation from within the overall police settlement and is included within the £161m additional grant figure.

## MINISTRY OF JUSTICE GRANTS

- 4.24 The Ministry of Justice have written to PCCs outlining their 2019/20 Victims funding allocations. Please see Appendix 4.

## **FUTURE SETTLEMENTS**

- 4.25 There was no further mention of future settlements other than to say “this is the last settlement before the next Spending Review, which will set long term police budgets and look at how resources are allocated fairly across police forces”.

## **FORMULA REVIEW**

- 4.26 There are no plans to review the Police Allocation Formula until after the Spending Review.

## **5 THAMES VALLEY ALLOCATIONS**

- 5.1 As shown in Appendix 2 the PCC will receive the following grants in 2019/20.

**Table 4: TVP grant allocations 2019/20**

	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>Variation £m</b>
Home Office Police Grant	139.248	146.577	7.329
Ex DCLG Formula Funding	72.855	74.280	1.425
<b>Sub-total</b>	<b>212.103</b>	<b>220.857</b>	<b>8.754</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>236.135</b>	<b>8.754</b>

- 5.2 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 2019/20.

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

- 6.1 The additional grant and increased flexibility in council tax precept, has significantly changed the position we were reporting in November, where the potential level of cuts required were unachievable without a negative change in our service provision. We are now fortunate in that we can make limited investment to address some service and performance issues by increasing our resources, both police officers and police staff, alongside investing in the technology to make our staff more productive. Concern was beginning to build that the £100m we had already removed from the budget had in some areas, drained our resources too far and as time progressed we were less able to respond to the increases in demand from a volume, scope and complexity perspective.
- 6.2 Demand on our service is expected to continue to increase over the next four years, for example: from the continuing increases in terror related incidents, increased reporting of complex crimes such as Child Sexual Exploitation (CSE) and Domestic Violence (DV), new and emerging crimes such as Honour Based Violence, County Lines and Cyber related crime as well as the forecast population increase, the expectations of our communities, and legislative changes. The additional investment in resources from the

2019/20 settlement will help to address current and future demand.

- 6.3 We are however clear that this welcomed respite from aggressive cuts is not a panacea for the police service. The limited investment incorporated today will not address the significant cuts we have made in previous years or the additional demand we continue to face. Hence we still need to keep our attention focused on increasing the productivity of our resources by investing in technology and ensuring the appropriate process and cultural change flows from that investment to improve our effectiveness. We need to continue to constantly review what and how we deliver our service across the whole spectrum, to ensure our limited resources continue to be prioritised and utilised as effectively as possible. We will therefore continue to focus on our Productivity Strategy, which includes the Efficiency & Effectiveness programme to ensure this is achieved.
- 6.4 There is still considerable uncertainty about future funding levels which could impact our ability to maintain the level of investment incorporated within this budget but, at this time, we are assuming for 2020/21 and beyond a cash flat grant settlement and a return to the 2% council tax precept rise.

## **7 OVERVIEW OF THE MEDIUM TERM FINANCIAL PLAN**

- 7.1 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 four 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.
- 7.2 The Police service, both nationally and locally, is going through a period of reform to adjust to the financial challenges and respond to the increasing complexity and quantum of crime. This reform requires investment in well trained officers and staff as well as the new and developing technologies which will facilitate the change in the way policing services are delivered; unfortunately this investment only increases the financial pressures.
- 7.3 The MTFP presented today attempts to address these competing demands of financial constraint in an increasingly complex policing environment. The MTFP sets out the level of police service which is affordable with the funding available.
- 7.4 As explained later in this report the revenue budget is balanced in all four years (i.e. 2019/20; 2020/21; 2021/22 and 2022/23). The current draft summary position is shown in Table 5 below:

**Table 5: Summary of Draft MTFP**

	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000
Annual Base Budget	391,471	419,914	426,472	433,260
Inflation	10,659	8,559	8,701	8,926
Productivity Savings	- 4,765	- 3,593	- 4,802	- 1,969
Committed Expenditure	13,347	1,277	619	- 65
Current Service	- 6,125	528	0	0
Improved Service	14,142	155	2,524	- 792
In Year Appropriations	1,185	- 368	- 254	924
<b>Net Budget Requirement</b>	<b>419,914</b>	<b>426,472</b>	<b>433,260</b>	<b>440,284</b>
<b>Total External Funding</b>	<b>- 419,914</b>	<b>- 426,472</b>	<b>- 433,260</b>	<b>- 440,284</b>
<i>Cumulative Budget (Surplus)/Shortfall</i>	<i>0</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>	<i>0</i>

*Note: the opening budget position for 2019/20 (£391.471m) is lower than the published approved net budget for 2018/19 since £14.523m of specific grant income is now treated as local police income, rather than being included in Home Office grants, in order to be consistent with the way that Net Revenue Budget Requirements are published in CIPFA Police Statistics*

- 7.5 Significant work has been undertaken by the Force over the last 12 months to support service delivery and address the financial changes facing the Force. The MTFP incorporates the financial outcomes and requirements identified from this internal work alongside the financial impacts of external influences
- 7.6 The budget presented today supports a police service for Thames Valley which provides:
- **Responding to the Public:** Our Call Management service is focused on answering emergency and non-emergency calls, deploying resources and carrying out onward tasking when required. Whilst our Local Policing function provides geographically based response, local volume crime investigation and neighbourhood policing teams to provide a local police service based on an appropriate assessment of Threat Harm Opportunities and Risks (THOR).
  - **Crime prevention** is a key concept for the Neighbourhood policing teams
  - **Investigations** are carried out by our local teams for volume crime with serious and complex crime dealt with by our Force Crime and Protecting Vulnerable People (PVP) units. Our Force crime units investigate a breadth of crime types ranging from Fraud to CSE, by their nature these investigations are high threat, high risk and highly complex.

- **Protecting Vulnerable People:** We have specialist Domestic Abuse Investigation Units (DAIU's) and Child Abuse Investigation Unit (CAIU) to deal with these high risk areas. Female genital mutilation (FGM), Adult safeguarding, Modern Slavery, Hate crime, Honour based abuse, missing persons, Mental Health, Stalking and Harassment are all high risk complex crimes which require investigations.
- **Managing Offenders:** TVP runs a central Multi-Agency Public Protection Arrangements (MAPPA) with the National Probation Service (NPS) as well as an Integrated Offender Management (IOM) cohort and a Public Protection Unit.
- **Serious Organised Crime:** Across the force at any one time there are approximately 70 active Organised Crime Groups (OCG). The threats from these groups are tackled by the Force Intelligence and Specialist Operations (FISO)
- **Major Events:** The Joint Operations Unit is a collaborative unit with Hampshire police which provides specialist policing including Firearms Operations and Roads Policing.

7.7 Throughout the budget preparation process the following key principles have been adopted:

- To protect priority services and our ability to manage risk;
- To maintain performance in key areas, including the strategic policing requirement;
- To maintain our capability in protective services and back office functions through collaboration;
- To reduce "discretionary spending" and streamline business processes to eliminate unnecessary bureaucracy and waste
- To invest in technology to transform service delivery and deliver future savings
- All change to be risk assessed.

7.8 There is a close relationship between preparation of the annual budget, medium term financial forecast and the annual target setting process. All three support and complement the PCC's Police and Crime Plan and the Force Commitment.

7.9 The proposals developed for the draft budget ensure that resources are targeted towards priority business areas that support the delivery of key strategic objectives, or are necessary for the effective management of policing risk.

## **8 PREPARATION OF THE MEDIUM TERM FINANCIAL PLAN (MTFP)**

8.1 The following section will show how the budget is updated for inflation and other cost pressures, starting from the base point of the previously approved MTFP. A copy of the full four year revenue forecast is attached at Appendix 5.

### **MTFP Assumptions**

8.2 In compiling the MTFP, the following assumptions have been used as the basis of the plan for the next 4 years:

- General inflation is applied at 1.8%; 1.90%; 2.0% and 2.0% in each of the next 4 years. This is in line with the OBR forecast for CPI.
- Specific inflation rates are based on sector led rates, e.g. Premises at 2.6%, Fuel at 8.0% and Utilities at 5% per annum.
- Specific inflation has been applied to the cleaning contract to allow for wage uplifts in relation to the National Minimum Wage (NMW) and recruitment issues, this has been applied at 5.1%.
- Pay inflation has been included at a base 2% annual increase for both Police Officers and Staff.
- Council tax precept to increase by £24 (13.1%) in 2019/20 and then by 2.0% per annum in the following years.
- Council tax billing base to increase by 1.6% in 2019/20 and 1.5% per annum thereafter.
- General police grants to remain cash flat over the period.
- Reserves will be used to support the MTFP & MTCP but will be significantly committed by the end of the four 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 very low level of annual capital grant.

8.3 The final assumption continues to reflect the increasing demand for investment in technology and the expectation that this will continue with the rollout of national programmes to address the Policing Vision 2025, against declining reserves and minimal capital grant. The provision within the MTFP for the direct revenue funding (DRF) of capital has increased to provide an annual contribution of £10m by 2022/23. This is seen as a sensible approach to future financial sustainability.

### **Inflation**

- 8.4 This additional cost does not relate to any increase in service, but is required just to maintain the existing base level of service.
- 8.5 General Inflation rates, based on the OBR estimates of CPI, have added an additional £1.0m in 2019/20 and an additional £3.3m for the following 3 years.
- 8.6 In addition to this increase in general inflation, specific inflationary increases for the likes of the facilities services contract have also added additional pressures to the base budget of circa £3.7m over the four year period.
- 8.7 In addition to the above specific inflation, there has been a significant increase in the motor insurance premiums across the SEERPIC forces, which for Thames Valley has added an additional £1.5m in 2019/20. We have also made provision for an increase of £0.6m in relation to Forensic services due to the current market conditions.
- 8.8 Overall inflation for 2019/20 adds £10.659m (average rate of 2.72%) to the annual budget, a further £8.559m in 2020/21 (average rate of 2.01%), £8.701m in 2021/22 (average rate of 2.02%) and £8.926m in 2022/23 (average rate of 2.04%).

## **Committed Growth**

- 8.9 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.
- 8.10 The main significant changes that have occurred in this section for the 2019/20 period include:
- Removal of the police vacancy factor that was implemented in the 2018/19 budget as it is now expected that we will be able to reach our target establishment in 2019/20. This adds £3.2m to the budget (ref 82)
  - An additional 40 permanent police staff case investigators which are to support both Force Crime (12) and the LPA's to assist with the increase in demand. This has added growth of £1.4m (ref 87).
  - Additional growth has been included for an uplift in the firearms bonus payments and for the introduction of a tutoring bonus, this adds an additional £0.174m to the budget but is offset against reductions in other allowances due to the profile of officers (ref 78).
  - By making an upfront payment in relation to the employers' contribution to the police staff pension scheme an annual cash discount of circa £0.390m is achieved (ref 88).
  - Police Pensions (ref 83) - Growth of £9.5m to reflect additional employer contributions, partially offset by income from the pensions grant of £4.3m.
- 8.11 Further details are provided at Appendix 6.

## **Current Service**

- 8.12 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 2019/20 include:
- The additional council tax flexibility has meant that rather than removing the temporary police staff case investigators (ref 92) we can continue to utilise these resources while our officer capacity, (including skills and knowledge) is increased.
  - A review of income levels for special services and mutual aid has been undertaken and as such the income budgets (ref 93) have been reduced by £0.309m.
  - Additional funding to support the SEROCU (ref 94) has been included at £0.601m as agreed at the last Regional PCC/CC meeting.
  - An increase in investigation costs (ref 95) relating to the contract for online references and searches has been included at £0.140m.
  - The increased turnover of staff and officers increases the level of essential training required (ref 96) as well as the demand on the vetting unit (ref 97). Essential growth is therefore required to maintain the current level of service.
  - The increase in costs for the National Police Air Support (NPAS) service, £0.369m (ref121).
- 8.13 Further details are provided at Appendix 6.

## Improved Service

- 8.14 These items of growth are required in order to improve performance and/or meet the growing demands on the service. The main changes that have occurred in this section for 2019/20 include:
- Technology Investment through Direct Revenue Funding (ref 98) is essential to support and allow for future technology refreshes of hardware, together with a provision for any changes in the way technology is delivered through the likes of cloud technology.
  - An extension of reserve funding for those temporary staff working on the Public Enquiries (ref 106) for a further 3 years £0.197m.
  - Growth has been specifically included for additional costs relating to the ICT Revenue Projects and Roadmap, Azure cloud, and software asset management, at a cost of £1.461m (ref 107).
  - A review of one-off property maintenance costs has been undertaken and a number of these schemes have been re-phased to allow the costs to be spread more evenly over the MTFP period (ref 104). These schemes are planned to be funded from the I&P reserve and have increased the drawdown required in 2019/20 by £0.240m.
- 8.15 The main areas of additional investment, being funded through the increased council tax precept (£8.5m), are under the following schemes:
- **Improved Services to the Public through Contact Management £1.3m** (ref 122) - The rise in demand and the complexity of that demand have increased the length of time it takes to assess the threat, harm and risk and ensure every call receives the appropriate response. We will reduce call handling times, particularly for 101 calls, by recruiting additional staff to deal with the additional demand and more complex crime and incidents being reported.
  - **Increasing Local Front Line Policing and Service Delivery £2.5m** (ref 123) – we will recruit additional officers and staff to increase visibility to our communities and respond to increasing crime demand and complexity and the impact (particularly in the areas of mental health and children’s safeguarding) of the reduction in the resources of and services provided by other agencies.
  - **Improved Investigative Capacity and Process for Complex Crimes £2.2m** (ref 124) – stretched resources are operating in an increasingly expanding and complex environment with investigations at all levels growing in size and complexity. There has been an impactful increase in organised crime which exploits the vulnerable as well as cyber enabled crime fraud and economic crime. We will recruit more investigators and invest in appropriate new technology and tools.
  - **Increasing Our Digital Development Programmes £2.5m** (ref 125) – we will exploit the modern platforms we have been investing in through the development of operational designed tools, expanding our mobile capability and improving connectivity will allow officers and staff to maximise the use of online digital applications facilitating the fast access and transfer of data, while investing in Intelligence technologies will improve the efficiency of transactional processes.

8.16 Further details are provided at Appendix 6.

### **In Year Appropriations from Reserves**

8.17 In accordance with the agreed policy on the use of reserve funding the PCC has, in recent years, utilised the Improvement and Performance (I&P) reserve to fund one-off expenditure contained within the MTFP. It is proposed that this reserve continues 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.

### **Funded By**

8.18 The current MTFP includes the announced uplift in central grants for 2019/20 at £8.75m, which includes the specific grant of £4.3m for the pensions cost increase of £9.5m in total. The following years are currently based on the assumption that central Government grants will be based on a cash flat settlement beyond 2019/20, but this will not be known for certain until the next spending review is completed.

8.19 The MTFP is also based on the assumption that the PCC will increase the council tax precept by £24 in 2019/20 and by 1.99% per annum thereafter.

### **Force Productivity Strategy**

8.20 The Force has 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 the HMIC during various inspections and reports.

8.21 The financial and operational demands facing the Force mean that it is more important than ever that the continuous review, challenge and improvement principles underlying the Productivity Strategy continue to ensure we focus our resources on our priority areas. The Efficiency and Effectiveness programme led by the Chief Superintendent Governance and Service Improvement is progressively reviewing the Force taking into consideration demand and functional processes (rather than departmental structures) and building for the future. Reviews are continuing to utilise the Priority Based Budgeting (PBB) methodology and focus on Method Changes, Volume changes and Service Level changes. New efficiencies have now been identified and are included in the productivity plan as per below.

8.22 The current productivity plan has been reviewed and scrutinised against the deliverability of the savings and the requirements of the MTFP, and the strategy has been updated with new and changed initiatives, with the key movements including:

- The implementation of the Contact Management Platform (CMP) programme has had a number of delays in the final implementation and, to be prudent, the majority of the savings have been moved to Amber at this stage, with some Green savings starting to accrue in 2020/21.
- A review of the Joint Operations Unit (JOU) has resulted in additional collaborative savings in the areas of Roads Policing, Firearms Command, the Dogs Section and the Mounted Section – total savings of £2.35m have been identified for 2019/20.

- An increase in savings from more stringent management of Alarms has increased total savings of £0.2m.
- The Asset Management Plan savings and general property services related savings have been reviewed and now total £0.2m in 2019/20, and a total of £1.6m over the four years.
- The impact of higher turnover of officers and PCSOs has increased the demand for uniforms and hence the previous savings have been reduced by £0.1m in £2019/20.
- The Efficiency and Effectiveness programme has added additional savings to the plan totalling £1.2m. These savings cover a multitude of initiatives and are from the areas of Force Intelligence and Specialist Operations (FISO), Force Crime, Criminal Justice and Operational Process reviews.

8.23 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. These savings should all be attainable subject to the current demands and profile of policing.

8.24 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. .

8.25 A copy of the full Productivity Strategy is attached at Appendix 7.

## **9 Establishment Changes**

9.1 Over the last seven years we have experienced reductions in both police staff and police officer posts. The investment identified today for:

- Improved Services to the Public,
- Increasing local Front Line Policing and
- Improving Investigative capacity

9.2 All require additional resources with a mix of police officers and police staff. Work is in progress to identify the most effective mix of resources and hence the indicative numbers in the following table may be subject to change. The Chief Constable's Management Team (CCMT) constantly review the balance of resources against demand to ensure the optimal mix.

9.3 The estimated summary position for the force establishment over the MTFP is shown in the following table.

**Table 6: Estimated Establishments**

	Police	Police Staff	PCSOs	Total
<b>Original Estimated Establishment at March 2018</b>	<b>3,870.50</b>	<b>2,709.60</b>	<b>418.00</b>	<b>6,998.10</b>
<i>2018/19 In Year Adjustments:</i>				
MASH Growth	7.00	(7.00)		-
Contact Management		17.00		17.00
Federation Representatives	1.60			1.60
Armed Response Vehicle Growth	1.00			1.00
Regional Special Branch	(1.00)	(4.00)		(5.00)
Regional CTFSOs (Holding Account)	(29.00)			(29.00)
<b>Revised Estimated Establishment at March 2019</b>	<b>3,850.10</b>	<b>2,715.60</b>	<b>418.00</b>	<b>6,983.70</b>
<i>2019/20 Adjustments:</i>				
Productivity Plan Savings	(42.50)	(15.50)	(10.00)	(68.00)
Productivity Plan - workforce modernisation	(11.00)	11.00		-
Case Investigators - Temporary Growth		(95.00)		(95.00)
Case Investigators - Permanent Growth		40.00		40.00
Learning & Professional Development	1.00	3.00		4.00
Vetting		2.50		2.50
Information Management		2.00		2.00
ICT Analyst for Technology Investment		1.00		1.00
Improved Service to the Public		48.00		48.00
Increasing Front Line Service	26.00	56.00		82.00
Improved Volume and Complex Investigation	31.00	41.00		72.00
Externally funded		15.00		15.00
Insourcing of Detention Officers (TUPE)		124.00		124.00
<b>Estimated Establishment at March 2020</b>	<b>3,854.60</b>	<b>2,948.60</b>	<b>408.00</b>	<b>7,211.20</b>
<i>2020/21 Adjustments</i>				
Productivity Plan Savings	(3.00)	(63.70)		(66.70)
ICT Analyst for Technology Investment		(1.00)		(1.00)
Remove Temporary Major Ops Uplift	(4.00)			(4.00)
Increasing Front Line Service				-
Improved Volume and Complex Investigation	10.00	8.00		18.00
<b>Estimated Establishment at March 2021</b>	<b>3,857.60</b>	<b>2,891.90</b>	<b>408.00</b>	<b>7,157.50</b>
<i>2021/22 Adjustments</i>				
Improved Service to the Public		(45.00)		(45.00)
UCPI / IICSA Public Enquiries		(6.00)		(6.00)
Productivity Plan Savings		(8.50)		(8.50)
<b>Estimated Establishment at March 2022</b>	<b>3,857.60</b>	<b>2,832.40</b>	<b>408.00</b>	<b>7,098.00</b>
<i>2022/23 Adjustments</i>				
Productivity Plan Savings				-
<b>Estimated Establishment at March 2022</b>	<b>3,857.60</b>	<b>2,832.40</b>	<b>408.00</b>	<b>7,098.00</b>

## 10 **BUDGET RISK & UNCERTAINTIES**

10.1 As with all planning and assumptions, there are a number of risks and issues which have

yet to, or cannot be, quantified. These are highlighted and explained below in the National and Local subsections:

### **National**

- 10.2 The significant increase in police officer pension contributions has largely been funded in 2019/20 by the pensions grant and increase in core grant. However, although we are assuming that government grants will be maintained at 'flat cash' from 2020/21 onwards there is no guarantee at this stage that the specific pensions grant will be baselined and maintained at the current cash level in future years
- 10.3 The reduction in the discount rate which has caused the significant increase in the employer's contribution of the police pensions will also impact the Staff LGPS valuation which is due next year to inform the 2020/21 budget round. At this stage the impact on the LGPS employer's contribution rates is not expected to be as significant as for the Police scheme and an increase of 1% or £0.9m has been included for 2020/21 at this stage.
- 10.4 The potential conclusion of the Brexit discussions have yet to be quantified in terms of government policy for future years and the consequential impact this may have on police funding and grant allocations. Internal procurement work has been undertaken to assess the potential risks which could add an additional pressure to the budget requirement in later years.
- 10.5 Police and Staff pay awards are currently forecast at an annual increase of 2%. Given the rising costs of inflation and full employment this may not be sufficient to maintain our resourcing levels. A 1% pay award equates to £3m.
- 10.6 The Home Office review of the national police funding formula is still being discussed, but no further information is expected until after the Spending Review in 2019. Each 1% reduction in funding would mean cuts of approximately £2.1m per annum.
- 10.7 Further top slicing of the national police grant for the IPCC/HMIC and/or for the creation of new funds (like the Transformation Fund) could reduce the quantum available for distribution to local forces

### **Local**

- 10.8 The MTFP assumes an increase of council tax income of £24 or 13.1% in 2019/20 and 2% per annum thereafter. The actual decision on these increases is down to the PCC subject to capping legislation, and will be taken in each of the respective budget setting years. A 1% variation on council tax income equates to approximately £1.65m.
- 10.9 Police recruitment and retention suffered severe challenges over the last two years but the expectation is that we will reach full police establishment by the end of 2018/19 or early in the new financial year and we will then continue to increase our strength in line with the additional investment. There is a risk that either recruitment numbers will not be achieved as anticipated or wastage will rise beyond currently predicted levels

meaning we cannot achieve the levels anticipated within the timescales. Significant work is currently underway to mitigate this risk.

- 10.10 In addition, the increased level of turnover means that we have a higher percentage of new and recently qualified police officers depleting the overall level of skills and knowledge within the organisation. This could impact on service delivery even if we maintain our numbers.
- 10.11 Recruitment of police officers is due to move primarily to the apprenticeship scheme within the next year. This is clearly a new venture for the police and as such has a level of risk associated.
- 10.12 The prioritisation of our ICT & Technology investment still requires a final review to reduce the scope and level of investment to within our financial resources available. This may lead to some schemes and expenditure being delayed or varying from the profile of spend as allowed for in the MTFP. Additionally, as we continue to invest in new technology there is an element of estimation in relation to the ongoing revenue support costs.
- 10.13 Delivery of the scheduled savings within the productivity plan are considered to be fully achievable and hence included to support the current MTFP.
- 10.14 Unquantified demand, whether new operational demand or investment requirements, for example to utilise a national technology initiative may impact on the estimates presented today.

## **11 IMPLICATIONS FOR COUNCIL TAX**

### **Public Consultation**

- 11.1 As stated in paragraph 4.2 above the Home Secretary announced additional investment in local policing by up to £813m in 2019/20. However, this level of income is dependent on all PCCs increasing their Band D precept by up to £24 which, nationally, will raise around £509m.
- 11.2 In TVP, a £24 increase in council tax equates to a just over 13%. Before implementing this level of increase the PCC decided to consult local council taxpayers. A short on-line survey was launched on 19<sup>th</sup> December with a closing date of 9<sup>th</sup> January. In order to reach as many people as possible, it was sent to:
- All users of TVP Alert – 82,787 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
- 11.3 In total, 8,031 people voted, of which 5,599 or 69.7% voted yes
- 11.4 An analysis of consultation responses is provided in Appendix 8.

### Impact on Council Tax

- 11.5 The PCC will receive police grant of £146.6m, ex-DCLG formula grant of £74.3m and legacy council tax grants of £15.3m in 2019/20. These levels of grant income are determined independent of the PCC's planned spending budget for the year.

### Surplus on Collection Funds

- 11.6 The PCC will receive £1.520m in 2019/20 as its share of the net surplus on the billing authorities' Collection Funds, details of which are provided in Appendix 9.

### Funding the 2019/20 Revenue Budget

- 11.7 Table 7 shows how the 2019/20 revenue budget will be financed.

**Table 7: Revenue Funding 2019/20**

	£m	%
Police grant	142.277	34%
Ex-DCLG formula grant	74.280	17%
<i>Total formula grant</i>	<i>216.557</i>	<i>51%</i>
Council tax precept (estimate)	186.558	
Council Tax surplus on collection funds (estimate)	1.520	
<i>Total council tax</i>	<i>188.078</i>	<i>45%</i>
Legacy council tax grants	15.278	4%
<b>Total Financing</b>	<b>419.914</b>	<b>100%</b>

### Council Taxbase

- 11.8 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.
- 11.9 In total, the 2019/20 taxbase for the PCC is 904,493 Band D equivalent properties, as Appendix 9 illustrates. This represents an annual increase of 13,890 properties or 1.56%.

### Band D Council Tax

- 11.10 The band D council tax proposed for 2019/20 is £206.28, an increase of £24.00 or 13.17% on the comparable figure for 2018/19
- 11.11 As shown in Appendix 3 our current 2018/19 band D council tax of £182.28 is below the English national average of £192.44. The appendix also shows that TVP is significantly below average in terms of net cost per 1000 population when compared to other forces (£163,679 compared to £193,181). 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.

## **12 LOCAL GOVERNMENT ACT 2003**

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

- 12.1 Section 25 of 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**

- 12.2 A separate agenda item shows the latest position on reserves, balances and provisions.
- 12.3 Based on current planning assumptions general revenue balances will stay slightly above the approved 3% target level throughout the next 4 years.
- 12.4 Earmarked reserves are forecast to reduce from £26.0m on 1st April 2018 to around £2.7m by 31st March 2023, including £1.0m in the Conditional Funding and SEROCU reserves which are not available to support general operational policing.
- 12.5 Accumulated capital grants and reserves will be fully utilised by the end of 2020/21

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

- 12.6 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.
- 12.7 There are a significant number of risks regarding the draft budget proposals and these are clearly set out in section 10 above and in Appendix 10.
- 12.8 By themselves none of these risks are so significant that they could not be managed in isolation, 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**

- 12.9 The draft budget proposals were presented to and scrutinised by the PCC at the Level 1 public meeting on 26<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 12<sup>th</sup> December. They are next due to meet on 24<sup>th</sup> January.

### **Achievability and risks**

- 12.10 Included at Appendix 10 is a budget risk and sensitivity analysis for 2019/20. 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.

- 12.11 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.
- 12.12 In addition, the Force continues to identify future budget savings through its ongoing Productivity Strategy, as referred to in paragraphs 8.20 to 8.25 above
- 12.13 Accordingly, the assessment of budget risks presented at Appendix 10 takes into account the mitigating factors identified above.
- 12.14 Similarly, Appendix 10A shows the risks to the medium term financial plan (2020/21 to 2022/23).
- 12.15 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.
- 12.16 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.
- 12.17 In response to the inherent risk in the timely delivery of large capital schemes within time and budget an earmarked reserve for Optimisation Bias (OB) has been created, based on HM Treasury Guidance on capital projects. As shown in the Medium Term Capital Plan (MTCP) an assessment of current schemes indicates that we should hold a contingency reserve of £12.769m; unfortunately the current reserve is just over £9m indicating a potential shortfall of around £3.64m. This is clearly a risk but we will continue both the MTCP and the level of the OB reserve on a regular basis and will report to the PCC immediately should we believe the OB reserve is unable to fund increased capital costs. New capital bids will include an appropriate element for OB so the current risk only relates to schemes in this MTCP.
- 12.18 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.
- 12.19 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**

- 12.20 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.

On 13 December the Secretary of State for CLG [published](#) the draft referendum principles for 2019/20. All PCCs are allowed to increase their basic amount of council tax by £24; only increases above £24 will be deemed excessive and require a formal referendum.

## **Prudential Code for Capital Finance**

- 12.21 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**

- 12.22 The 2019/20 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.
- 12.23 The provisional settlement enabled each PCC to increase the police element of council tax by £24 a year for a band D property in 2019/20. The results of the short public consultation exercise indicate that local residents are happy to pay that amount to protect local operational policing in the Thames Valley. This will facilitate the force investing £8.5m in additional resources, police staff and police officers, as well as the technology to improve the productivity and efficiency of their work.
- 12.24 As shown in Appendix 10A 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 8.2 above, the MTFP is currently balanced in all four years.
- 12.25 The PCC is reminded that his responsibility for setting the annual budget and council tax precept for 2019/20 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.

## **13 CONCLUSIONS**

- 13.1 The revenue budget is balanced in all 4 years (i.e. 2019/20 to 2022/23) with a £24 increase in precept in 2019/20 followed by 2% per annum in later years

- 13.2 The MTFP provides for inflationary increases and limited investment to address some service and performance issues by increasing our resources, both police officers and police staff, alongside investing in the technology to make our staff more productive. The investment has only been possible because of the additional flexibility in the council tax precept.
- 13.3 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
- 13.4 As shown above the current MTFP requires revenue savings of at £15.1m over the next four years. This is over and above the £101m of cash savings already removed from the base budget in the last eight years (i.e. 2010/11 to 2018/19) meaning that, over the twelve year period in excess of £116m will have been taken out of the base revenue budget.