

Report to the Thames Valley Police & Crime Panel

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

Date: 1 February 2019

Author: Chairman Budget Task and Finish
Group



Background

1. As in previous years, the Thames Valley Police & Crime Panel formed a Budget Task & Finish Group to assist in discharging its statutory duty to scrutinise the Police & Crime Commissioner (PCC) for Thames Valley's proposed council tax precept for 2019/20. The process will be formally undertaken at the 1 February 2019 meeting of the Panel where a decision will be made by the Panel on whether to accept or veto the PCC's proposed precept.

2. To strengthen the process, it was considered by Panel members to be important to evaluate the budget that the precept partially funds, allowing the Panel to make an informed decision on the adequacy of the precept when it meets on 1 February. This was the work undertaken by the Budget Task & Finish Group who included Cllr McCracken (Chairman), Cllr Patman (Vice-Chairman), Cllr Batt and Cllr Bradburn.

3. The relevant papers were published into the public domain in draft form for consideration at the PCC's meetings with the Chief Constable of TVP in November 2018 and January 2019. They included:

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

4. The Budget Task & Finish Group met on 12 December 2018 and again on 24 January 2019 to consider the budget proposals, which included a proposed increase to the police element of the Council Tax of £24 per annum for 2019/20 (for a Band D property). The Task & Finish Group formulated its view on the adequacy of the precept and agreed the recommendation to the Panel at paragraph 5, subject to satisfactory responses to the questions raised at Appendix A and any other supplementary questions asked at the Panel meeting on 1 February.

5. RECOMMENDATIONS

1. That the Panel approve the Police and Crime Commissioner's precept for 2019/20 as set out in the OPCC report 'Revenue Estimates 2019/20 and Medium Term Financial

Plan 2019/20 to 2022/23', subject to satisfactory responses to the questions raised at Appendix A and any other supplementary questions asked at the Budget Task and Finish Group on 24 January and the Panel meeting on 1 February 2019.

Budget Task and Finish Group Meeting – 24 January 2019

Ian Thompson Chief Finance Officer, OPCC and Linda Waters Director of Finance, TVP outlined the changes to the Medium Term Plan (MTFP) following the provisional Police Grant settlement for 2019/20.

The main changes highlighted as a result of the provisional settlement and the papers issued for the PCC's Level 1 meeting with the Chief Constable of TVP on 22 January 2019 are as follows:-

Provisional Police Settlement

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. The key headlines are set out below:

- Headline of £970m additional funding for the service which 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 - made up of £146m increase in core grant, £12m additional NICC payments and £2.7m precept grant.
- Precept flexibility of up to £24 for all PCCs (or equivalents) in 2019/20.
- £161m additional grant funding – 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".
- Forces are being provided with an additional £142.5m pensions grant in addition to the £161m core funding. For Thames Valley this does not cover the full pension's costs. There is a shortfall and hence a balance to be funded locally. In TVP the funding shortfall is £0.7m.
- £20m has been taken out of special grants (the grant which paid for the Royal Weddings and President Trump's visit).

Thames Valley

- The PCC has undertaken a short public consultation exercise on the proposed increase in Council Tax and over 8,000 people responded with almost 70% supporting the proposed increase in the Policing precept for Council Tax.
- After funding pay and price rises, the proposed increase in Council Tax enables an investment of around £8.5m in a number of priority policing areas. A commitment has been made to:
 - Improve services to the public through contact management by reducing 101 call handling times (£1.3m) – Additional call-handling staff (around 45) would be recruited to deal with the volume of calls and to improve outcomes to residents
 - Increase frontline policing by recruiting additional officers and staff to respond to increasing crime demand and complexity (£2.5m)
 - Improve investigative capacity and process for complex crimes (£2.2m) – stretched resources are operating in an increasingly expanding and complex environment with investigations at all levels growing in size and complexity. More investigators will be recruited and there would be investment in appropriate new technology and tools.
 - Increasing the Digital Development Programmes (£2.5m) and Increase digital capability by exploiting the modern platforms which have been investing in – This involved increasing the number of laptops for Police Officers, improving Wi-Fi capability in police establishments.
- In Year Appropriations from Reserves - In accordance with the agreed policy on the use of reserve funding the PCC will continue to utilise the Improvement and Performance (I&P) reserve to fund one-off expenditure contained within the MTFP. It will also support the capital programme and ICT Strategy implementation.
- The revenue budget is balanced in all 4 years (i.e. 2019/20 to 2022/23) with a £24 increase in Band D council tax in 2019/20 followed by 2% per annum in later years. The MTFP provides for inflationary increases and limited investment to address some service and performance issues by increasing resources, both police officers and police staff, alongside investing in the technology to make staff more productive. The investment has only been possible because of the additional flexibility in the proposed council tax precept.
- 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
- 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.
- Medium Term Capital Plan 2019/20-2022/23 - Following the provisional police grant settlement announcement, an additional £2.1m of development opportunities have been provided for to improve the overall effectiveness of policing. Capital receipts were declining due to the low number of police property assets.

Particular issues / questions asked by Members:-

- The Comprehensive Spending Review was discussed and it was reported that the Home Office were still working on this
- Work on the national police funding formula is due to commence this Autumn, with a view to going out to consultation in the summer of 2020.
- Reference was made to the political and economic uncertainty around Brexit which could impact on the CSA.
- The savings which had been identified in the earlier budget papers would be taken out, in view of the funding announcement. However, in future years these savings may still have to be made, subject to future Government Grant funding decisions.
- Funding for Community Safety Partnerships was now secured and would be maintained at last year's cash level. The importance of this partnership between local authorities and the Police was noted.
- As a result of the improved grant settlement the future of the Mounted Police Section was now secured, at least for the time being.
- The investment in new police recruits - It was noted that recruitment would be very competitive as all Police Forces would be looking to recruit new police officers. Recruitment and Retention of police officers in Thames Valley was a challenge because of the cost of living in the region.
- In relation to increasing frontline policing, it was reported that TVP should be up to officer target by the beginning of the next financial year. There were immediately incoming sergeants and inspectors.
- The decision on where the additional police officers would be deployed had not yet been determined.
- Emergency Services Mobile Communications Programme (ESMCP) – the final sign off for this was still awaited but it was expected to be deployed by the beginning of next year.
- In Year Appropriations from Reserves – General reserves were healthy but the Improvement & Performance reserve would be drawn upon for revenue property works.
- In relation to Property Services schemes, the replacement of Reading Police Station still remained an important part of the estate programme. However, the anticipated sales receipt no longer falls within the anticipated MTCP period but will be available to fund future capital investment, beyond the current MTCP period.
- In relation to Bletchley Station in Milton Keynes, this was to close within the 4 year plan with a possible "blue light" facility with the Fire Service.
- Reference was made to the total spend on police vehicles over the four year period being around £13m and it was explained that this programme could be impacted by developments in electric powered cars/ hybrids and also by the proposed increase in police officer numbers.

Budget Task and Finish Group Meeting – 12 December 2018

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

Financial Strategy – Information extracts from the OPCC report. The Budget Task and Finish Group noted that the information contained in the papers would be superseded by the Government announcement on 13 December on the provisional police grant settlement for 2019.

- On 3rd October 2018 the APCC and NPCC wrote to the Minister setting out their joint requirements for the police settlement in 2019/20. The letter explained the progress being made on efficiency and productivity, referred to the significant impact on policing of the new Public Sector Pensions Valuation Directions and challenged the Home Office to reduce the level 'reallocations' from police grant. They concluded by asking the Minister to consider lifting or removing the referendum cap on council tax precept to allow forces scope to deal better with the financial and operational pressures currently experienced.
- Demonstrating Productivity & Efficiency - In order to meet the Minister's conditions in relation to productivity and efficiency, the APCC, NPCC and Home Office have created a National Commercial Board through which to focus efforts to deliver real progress in relation to procurement and shared services. By the end of Q1 2018/19 the service has already:
 - Delivered £322m against the original target to make £350m procurement savings by 2020
 - Delivered £23m of the 3 year £100m procurement savings target, with plans in place to achieve the agreed £40m by year-end 2018/19
 - Delivered at least £13m against the 3 year back-office savings target of £20m
 - Developed an outline business cases for both a future commercial operating model for policing, and for future shared services in policing using a national Centre of Excellence.
- Reference was made to the increase in employer contributions to the police officer pension scheme. At national level, the increase in pension contribution would cost the service around £300m, with a net cost to the service of £165m in 2019/20. A grant would be received to bridge this gap. Negotiations have taken place to bring these costs down and employers had been paying in terms of overpayments. It was expected that employers would be getting back around £125m (i.e. difference between the initial gross cost of £417m and the new gross cost of circa £300m).
- Reference was made to the financial context of Policing in 2018 which the Budget Task and Finish Group acknowledged and noted. Mention was also made of mental health and the impact this had on modern policing, in terms of consuming police time and resources.
- Relating to future funding and the Spending review, Members were informed that work on changing the national police formula would commence after the Spending Review submission was completed in summer 2018. A discussion took place on the likely outcome of this review and Members were informed that it was difficult to make assumptions at this stage.
- There was still uncertainty around Brexit and there were issues around Reserves and Balances. A report had been presented to the Policing Minister in October 2018 which showed that, at national level, total revenue reserves at 31st March 2018 amounted to £1.40bn; a reduction of 14% on comparable figures twelve months ago. Current

forecasts indicated that revenue reserves would fall by a further 47% between now and March 2021 to a figure of £747m. Reports had to be presented to the Home Office, twice a year on what reserves were held and current plans to spend them.

Revenue Monitoring 2018/19

At the end of October 2018 the overall 2018/19 revenue budget was £0.164m underspent against profile and, the year-end position was predicted to be a net overspend of £0.183m. As indicated in June, a significant underspend had arisen due to the shortfall on police officer numbers caused by high attrition rates and low PCSO numbers. Significant work was being undertaken across the organisation to mitigate the impact of low police officer numbers on service delivery, one example was the decision to utilise overtime to address the shortfalls and hence the significant predicted overspend on police overtime.

Reference was made to other opportunities and risks which continued to arise and would impact the final financial outturn. These included:

- a sizeable underspend of about £2.1m on the Force ICT budgets, principally arising from an accounting change to improve the alignment of software licensing charges with the usage, the majority of this underspend (£1.3m) has been used to part fund the increased costs for the Contact Management Programme via direct revenue financing
- the outcome of the tender negotiations for motor insurance renewal has increased TVP premiums by £1.45m this year
- Confirmation of the level of financial support for the additional costs in relation to the two Royal Weddings and Presidential visit had not yet been received.

It was recommended that the OPCC budget underspend of £0.434m be appropriated to the Community Safety Fund. The approved Force Budget included a planned appropriation from reserves for the rationalisation programme due to the early closure of this programme but it was recommended that £0.450m of these funds be retained in reserves.

Four year Medium Term Financial Plan 2019/20 to 2022/23 - Information extracts from the OPCC report. It was noted that since this report had been published some of the detail was now out of date.

- TVP reported that this year the draft MTFP's were presented in an environment of uncertainty around funding levels alongside significant increases in demand and increasing complexities in recruitment and retention of police officers and staff. TVP were still losing Police Officers to other forces; mainly due to the higher cost of living in the Thames Valley region and the increased pressure and stresses of the job. The Force lost Police Officers to, for example, Avon & Somerset and Dorset, where the cost of living was not as high. Firearms Officers, who were expensive to train, were lost to the Metropolitan Police
- Reference was made to the funding uncertainty being amplified by the significant change to Police service continued to go through with the demands placed upon the service increasing in both volume and scope.
- With the problems with recruitment and retention of Police Officers, the Force had been using civilian case investigators to mitigate the shortage of Police Officers. In addition there were a number of Police Community Support Officers who had undergone the training to become full time Police Officers.

- Reference was made to the investments which had been made in relation to new technologies and new equipment to enable the Police service to adjust to the increased complexity and sophistication of crime. Laptops were being rolled out to Police Officers to improve efficiency and effectiveness. There were increased costs in relation to data charges; all of which increased the budgetary pressures.
- The MTFP was formulated on the assumption that the Council Tax precept would rise by £12 per band D household, but this was subject to the announcement on 13 December. A £12 rise would not quite cover inflationary requirements and committed expenditure.
- The list contained in paragraph 4.8 of the report provided details of those schemes which could not be afforded. However, this would be revisited, in view of the reported likelihood of an increase in Government core grant of up to £160m, and the likely increase in council tax precept of up to £24 for a band D household.
- The unexpected increase in the police pension's contribution, estimated at £13.2m in TVP, had created a significant additional requirement in the revenue budget which had not previously been identified. There was optimism regarding the funding which would be received to help fund that.
- Reference was made to the MTFP assumptions which had been used as the basis of the plan for the next four years:
 - General inflation will be 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 as at March 2018. However, Brexit would impact on this. Reference was made to motor insurance having increased by £1.5m since last year
 - 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 custody and cleaning contracts 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
 - Forensic science costs were expected to increase by 28%
 - Council tax precept was hoped to be closer to £24 in 2019/20 and then by 2.0% per annum in each of the following years. The difference between a £12 precept and a £24 precept was around £10m.
 - Council tax billing base to increase by 1.5% 2019/20 which was a downturn in the expected 1.7%.
 - General police grants to remain cash flat over the period.
 - The use of reserves will 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 non-existent capital grant.
- By the end of the four year period there would be £10m a year funding direct from revenue to capital for some of the technology requirements, maintenance to infrastructure, maintenance of vehicles, police communications etc. This was because capital receipts and reserves were running out.
- Reference was made to the Force Productivity Strategy which provided details of Police's productivity savings which were used to balance annual budgets or to reinvest them in frontline policing. The Efficiency and Effectiveness programme had added additional savings of around £1.2m.

Medium Term Capital Programme (MTCP)

- The Draft MTCP builds on the currently approved MTCP, last presented to the PCC in July 2018. Over the next 4 years the investment plan, if approved, would cost £68.756m. This is in addition to the 2018/19 capital programme, which is adjusted to £32.263m to reflect expected re-phasing of some projects existing budgets. This brings total investment over 5 years to £101.019m.
- The currently approved and estimated future funding available over the same period is £102.734m. There are expected budget shortfalls throughout the next 3 years totalling £5.161m that, depending on the actual phasing of expenditure, may require financing decisions.
- At the close of the 4 year period there is a very small excess of funding of £1.715m identified. However this will be needed to meet any new prioritised bids that may materialise in later years of the programme. To reinforce that, there are currently no new projects budgeted or expected to start in either 2021/22 or 2022/23. Spend included in those years covers the tail end of existing projects and future equipment, ICT & fleet refresh only. It looks likely therefore that £1.715m would be insufficient to meet future bid requirements and additional borrowing may be required to support future programmes that are prioritised.

Reserves & balances

- Earmarked reserves at 1st April 2018 were £26m but by the end of the four year period would be down to around £4.6m. The majority of the Improvement & Performance reserve was transferred into the Optimism Bias reserve (£12m) last year to support project budgets where costs are higher than forecasted during either the business case or bid stage. This is as recommended by the HM Treasury. The Optimism Bias Reserve is currently just in excess of £9m having been used to support the CMP project during the year. The OB reserve is currently being re-assessed and may need to be adjusted based on the revised capital programme. The remaining I & P reserve is expected to be fully exhausted over the period of the next 4 years.

Points of clarification by the Task and Finish Group

Revenue

- A question was asked about the Medium Term Financial Plan which had indicated further budget cuts of at least £12.3m, and whether this would be spread over the four year period. OPCC reported that it would be spread over the four years, but was dependent on the funding announcement.
- In relation to the financial strategy and the aim to work closely with other forces and partners to deliver savings and improve efficiencies, it was asked whether discussions were taking place with other Forces and “blue light” services on the provision of joint hubs. TVP reported that Forces in the South East already worked collaboratively in terms of procurement with an example of procuring new police radio communications. Reference was made to discussions regarding a potential “blue light” hub for Milton Keynes and discussions which had taken place between TVP and Berkshire Fire Service in relation to a joint facility at Whitley Wood.
- In relation to the Revenue Budget Monitoring 2018/19, a question was asked regarding the cost of the Contact Management System and when would this be completed. TVP reported that it was critical that this system was tested fully to ensure complete

confidence when the system went “live”. The system would be rolled out in stages with it envisaged that the system would go “live” in April 2019.

- In response to a question, it was reported that the special grant income of around £2m would be received for the first Royal Wedding and between £5-6m for the President Trump visit was £5/6m.

Four year Medium Term Financial Plan 2019/20 to 2022/23

- In response to a question, it was reported that there were around 900,000 Band D properties within the Thames Valley. Predictions were for around 300,000 new builds over a 25 year period, which was below the expectations of local authorities.
- In relation to the MTFP assumptions made, a question was asked about reserves and whether the expected increase in Police grant would mean a reduction in the use of reserves. It was reported that reserves were only used for one off specific capital items and they were not used to underpin day to day expenditure. The grant announcement would not impact on the reserves position. It was noted that if general reserves went above 5% a report had to be submitted to the Home Office.
- With regard to the proposed savings, discussion took place on the Police Mounted Section and the impact of losing this service. It was explained that the main purpose of using Police horses was for Public Order purpose, beneficial in terms of crowd control, demonstrations. Officers had been taken out of the service as a saving. There were not many Mounted Police Sections and TVP did receive relatively small income from loaning the service out.
- In relation to rationalising the Custody estate, it was asked whether there had been consideration given to outsourcing. TVP reported that it would not be cost effective as Police Officers were required to question those held in custody.
- In relation to the prioritisation of ICT & Technology investment, there had been a number of meetings with TVP collaborators, Hampshire and it was expected that a decision would be made before the end of January.
- Community Safety Fund – In response to a question, TVP reported this was where expenditure was being funded from reserves. TVP had been taking £100,000 from reserves to increase the annual Community Safety Fund but, but this was forecast to stop in 2021. Therefore expenditure would not be taken out of reserves going forward, but the annual budget would be maintained.
- Emergency Services Mobile Communications Programme (ESMCP) Changeover Annual Usage costs – clarification was sought on this and it was explained that there would be an overlap of paying for two systems but after that there would be a saving of £2.467m.

Capital

- The reduction in capital receipts was because of a reduction in surplus capital assets available for sale. Virtually all Police houses had been sold off as have old police buildings which had reduced the police estate.
- Reserves and Balances paper would be circulated to Members to ensure full account was taken of reserves held.
- In the property services items, reference was made to the joint Fire Service/Police project at Whitley Wood and that this was a Fire Service led initiative and was not included in the papers with regard to additional spend.

Appendix A

Proposed Questions to the Police and Crime Commissioner

1. There are around 2.4million residents in the Thames Valley policing region and yet there were only around 8,000 residents who responded to your consultation on the proposed precept. What is the reason for this low response rate?
2. Will this budget mean that you can deliver the key objectives in your Police and Crime Plan, particularly in relation to the reduction of crime and higher detection rates?
3. How will you holding the new Chief Constable to account on the use of this additional funding? At this early stage, could you give an indication of how the £8.5m of extra investment is going to be used?
4. One of your commitments from this increase in precept is to increase the number of front line police officers. What methodology will be used on where in the Thames Valley this extra resource will be deployed?
5. What methods will be used to help with the recruitment and retention of Police Officers in the Thames Valley, particularly in view of the previous difficulties of recruitment and retention in the past?
6. Increased investment in technology is earmarked for the Police. In view of the delays with the implementation of the Contact Management Programme and the resultant increased costs, how will you ensure that these future projects come in at budget costs?
7. Does this budget take account of the impact on policing from Brexit including procurement of specialist equipment and services which are coming from EU countries?
8. Is there a deadline for conversion from the current Airwave product to Emergency Services Mobile Communications Programme (ESMCP)?
9. Do you consider that sufficient funding has been set aside for the purchase and implementation of ESMCP and if not,
10. What is TVP's financial fall-back position regarding the continual delays in the availability and roll out of ESMCP?