



FINANCIAL STRATEGY 2012



1. INTRODUCTION

This financial strategy sets out how Thames Valley Police (i.e. the Police and Crime Commissioner (PCC) and the Force) will structure and manage its finances to support the delivery of the aims and objectives of the service, as set out in the 5 year Police and Crime Plan, and to ensure sound financial management and good stewardship of public money.

The 5 year Police and Crime Plan will cover the period 2012/13 through to 2016/17.

2. AN OVERVIEW

On 20th October 2010 the Chancellor announced the results of the Coalition Government's Spending Review 2010. Government funding for the police service in England and Wales is being cut by 20% in real terms over the four year period 2011/12 to 2014/15.

At that time the Government assumed that, following the council tax freeze in 2011/12, local authorities would choose to increase their council tax by an average of 2.6% per annum with effect from 2012/13. Even in that planning scenario, the police service still faced a 14% real terms reduction in combined funding from government grant and council tax income, which equates to a cash reduction of just over 6% over the 4 year period.

However, on 31st October 2011 the Chancellor announced plans to extend the council tax freeze grant funding arrangements for another year, 2012/13, albeit on less generous terms than those applying to 2011/12. Accordingly, TVP received a **one-off** grant in respect of 2012/13 equivalent to 3% of its basic amount of council tax in 2011/12 (i.e. around £4m)

Due to the cut in Government funding referred to above TVP is addressing a cash reduction of circa £55m in its budget over the four years of the current four-year Spending Review period to March 2015, which equates to 12% of its gross revenue expenditure. This forecast is based on a number of prudent financial assumptions.

So far £33.4m has been identified and removed from the revenue base budget in 2011/12 and 2012/13, leaving a planned budget reduction of around £22.1m to be delivered through the Productivity Strategy in 2013/14 and 2014/15.

The Government has announced that its next Spending Review is likely to take place during 2013 and will cover the two year period 2014/15 and 2015/16.

Against this tide of significant and ongoing grant reductions, TVP continues to be an area of rapid population growth; its population is projected to increase by 17% over the period 2011 to 2033. This will significantly affect the volume, nature and profile of the demand for services. Furthermore, the Coalition Government's focus for policing is also changing, from neighbourhood policing at the very local level to the new National Crime Agency at strategic level.

The reduced availability of finance will clearly be a significant potential constraint on operational policing for the foreseeable future. However, through good business and efficiency planning, we aim to focus our limited resources on those priority areas as identified in the 5 year Police and Crime Plan and the Force's annual delivery plan.

There is an overriding requirement to provide an efficient and effective policing service. The 5 year Police and Crime Plan supported by the Force's annual delivery plan will explain how we plan to deal with Government priorities and requirements, as well as providing a policing service which meets the local needs of the people of Thames Valley, with the financial resources available to us.

As stated above TVP continues to operate in a financial environment whereby income from government grants and council tax is insufficient to fund increases in costs and the growing demands for policing, both locally and nationally. However, the fact that we have identified and planned for the unavoidable budget reduction, and have a proven productivity strategy in place to deliver both cashable efficiency savings and productivity improvements, is a clear advantage.

However, there are still a few, but vitally important, residual budget and funding uncertainties that will impact on TVP finances and implementation of this strategy over the next few years, including:

- The rate of inflation and pay awards in future years
- Changes in TVP taxbase over the next 4 years

- The size of local council tax increases in TVP
- Recommendations from the Winsor review of pay and conditions of service
- Lord Hutton review of public sector pension reform
- The mechanism for allocating grant and the application of dampening mechanism
- The 2013 CSR

3. THE FINANCIAL STRATEGY

The following section sets the financial strategy which TVP will follow in order to achieve its goals and priorities, whilst balancing available finance and spending ambitions. The vision of the financial strategy is to:

- **Plan effectively and realistically for the known reduction in external income in coming years;**
- **Protect the frontline service delivery as far as possible;**
- **Ensure that revenue and capital funds are maximised to support policing priorities as set out in the 5 year Police and Crime Plan;**
- **Continuously strive to improve efficiency and achieve value for money**
- **Demonstrate proper accountability of our use of public funds**

To achieve this vision we will aim:

- To plan realistically for the significant reduction in government grant income
- To produce realistic estimates for each area of structural reform or major budget reduction.
- To deliver affordability, stability and sustainability in TVP budgets by ensuring that changes from year to year in resources available and the longer-term financial implications of those changes are, as far as possible, predicted and managed.
- To make the best use of limited resources, continually striving to improve resource usage and management, to invest in prioritised services and deliver efficiencies.
- To effectively account for and report on the use of resources.

- To provide appropriate and adequate information and advice to facilitate decision making, including costing data.
- To have in place sound financial processes to control, monitor and account for expenditure.
- To maintain an appropriate level of general balances, earmarked reserves and insurance provisions, to ensure financial stability and provide opportunities to fund the one-off costs of structural reform, for invest to save initiatives and investment for performance.
- To work closely with other forces and partners, where appropriate, to deliver cost savings and improve performance (e.g. collaboration with Hampshire Constabulary).
- To work closely with partners (e.g. Community Safety Partnerships) to commission services in an efficient and effective manner
- To use benchmarking and other tools to challenge and demonstrate the achievement of value for money. We will challenge spending pressures; not simply accept them as a 'given'
- To provide adequate and effective internal audit arrangements
- To embed effective risk management arrangements throughout the organisation
- To maximise the utilisation and efficiency of our asset portfolio and to rationalise our estate when land and buildings are identified as inefficient and/or surplus to operational requirements..

4. EXTERNAL INFLUENCES ON THE FINANCIAL STRATEGY

The following factors will be considered and taken into account during the annual planning process and be reflected in medium term financial forecasts, the annual revenue budget and capital programme and monitoring expenditure thereafter:

- UK and global economy, including the size of public debt
- Annual reductions in government grant allocations

- Government assumptions on future council tax increases
- Council tax capping
- Changes to the council tax benefit system and the resultant impact on the TVP taxbase and specific grants
- New ways of working (e.g. new duty on police and crime commissioners and chief constables to explore and pursue opportunities to deliver services in collaboration with public and private sector partners)
- Changes in police governance arrangements with effect from November 2012 (e.g. Police and Crime Panel having powers of veto over the proposed council tax level)
- New arrangements for delivery of national and specialist policing services (e.g. the Strategic Policing Requirement)
- Potential withdrawal of partner funds
- Government changes to procurement (e.g. national framework arrangements)
- Legislative changes (e.g. Health & Safety, Disability Act, Policing Reform)
- Operational demands
- Population growth in the Thames Valley

5. FUNDING OBJECTIVES

To make the best use of limited and/or finite resources for revenue and capital spend, TVP will seek to:

- Maximise grant funding opportunities, taking into account any long-term impact on the budget
- Maximise income generation wherever possible through trading activities and external funds, within the capacity of the Force and without impacting adversely on operational policing
- Consider increases in council tax to provide additional funding for frontline visible policing
- Maximise collaboration and partnership working where it improves service effectiveness, reduces costs and improves efficiency without introducing undue risk to service delivery
- Identify and sell surplus and/or inefficient assets to provide funding for future capital investment and to reduce revenue running costs
- Identify suitable investment schemes to reduce costs and/or improve performance

- Ensure that whole life costing of investment options is undertaken to improve decision making

6. MEANS OF DELIVERY

The following key documents will be produced or actions undertaken:

- An annual revenue budget that supports and complements the 5 year Police and Crime Plan and [Force] annual delivery plan, within the parameters set by government for expenditure capping.
- A four year revenue forecast based on a realistic assessment of pay and price increases; national, regional and local policing requirements; an estimate of future grant allocations, cashable efficiency savings and budget reductions, council tax base and the overall surplus or deficit on collection funds and, finally, government pronouncements on capping.
- An annual capital programme produced in accordance with the Capital Policy Statement.
- A funded medium term capital programme
- An annual treasury management and investment strategy, including the prudential indicators
- Financial awareness training will be provided to appropriate senior police officers and staff to enable them to manage their budgets effectively
- If required, financial awareness training will be provided to the new Police and Crime Commissioner and Deputy PCC (if appointed) to enable them to carry out their functions effectively

7. GOVERNANCE

The planning, decision making and monitoring arrangements in TVP are set out below:

- TVP will adopt Financial Regulations and Contract Regulations to codify its financial management policies. The Chief Constable will issue more detailed Financial Instructions to complement and support these Regulations
- After consultation with the Police and Crime Panel, the PCC will approve the annual revenue budget, medium-term revenue forecast, medium-term capital programme and the annual treasury management and investment strategy in February each year
- Day to day responsibility for management of the operational budget is delegated to the Chief Constable, within the approved scheme of delegation.
- Budgets will be continually monitored to ensure that all expenditure is in line with the PCC's and Force's strategic objectives. Revenue and capital monitoring reports will be presented by the Chief Constable to the PCC on a regular basis, as determined by the PCC in consultation with the Chief Constable.
- The PCC's Chief Finance Officer will provide regular reports on the adequacy of reserves, balances and provisions
- Annual Financial Statements will be approved by the Chief Constable and the PCC in accordance with statutory timescales
- A written protocol between the respective chief finance officers to the PCC and Chief Constable to clarify their respective roles and responsibilities
- A written protocol between the Chief Constable, Chief Executive and the respective chief finance officers to clarify the financial procedures to be followed for major unbudgeted events or incidents

Approved by: Police and Crime Commissioner

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