



FINANCIAL STRATEGY 2019

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 their finances to support the delivery of the aims and objectives of the service, as set out in the 4 year Police and Crime Plan and the Force Strategic Plan, and to ensure sound financial management and good stewardship of public money.

The current Police and Crime Plan covers the period 2017 to 2021. Following the PCC elections in May 2020 the new PCC will develop the next Police and Crime Plan covering the period 2021 to 2025.

2. OVERVIEW - NATIONAL

Police Funding Assessments and Settlements

Since the Chancellor announced the results of the Coalition Government's Spending Review in 2010 Government support for local policing budgets have been reduced, in real-terms, by 34%. Even with significant increases in council tax precept in 2018/19 and 2019/20 (£12 and £24 respectively for Band D properties) total funding for local police has been reduced in real-terms by 21%.

On 4th September 2019 the newly appointed Chancellor of the Exchequer, Sajid Javid, announced the outcome of the Spending Round 2019 (SR2019) which set public spending totals for 2020/21.

In respect of Policing the key headlines from the SR announcement were:

- Increase of £13.4bn in total public spending

- 6.3% real terms increase in Home Office spending, up from £12.9bn to £13.9bn
- £750m to fund the first year of the plan to recruit 20,000 new officers. This sum also has to cover pay and price rises, plus other growth pressures
- £45m this year to recruit the first 2000 officers by the end of March 2020
- There will be a full review of serious and organised crime which will feed into the full spending review next year
- In recognition of the impact of hate crime including attacks on places of worship the places of worship fund will double next year
- There will be an additional £30m new funding to tackle online child sexual exploitation
- There will be a 5% real terms increase in the Ministry of Justice budget. Includes the beginning of delivery of an additional 10,000 prison places
- There will be an £80m increase in funding to the Crown Prosecution Service.
- The Police service is expected to deliver £120m of cash efficiency savings

Whilst not in the written statement the Home Office has confirmed that the additional money provided in the 2019/20 settlement to help fund increased police officer pension costs will continue in 2020/21, as will the £100m of serious violence funding.

Since the SR announcement the Home Secretary has also announced:

- A £25m Safer Streets Fund to prevent burglary and theft in crime hotspots
- £20m for County Lines
- £10m for Taser uplift

Operation Uplift

In July the Prime Minister announced that the Government would provide funding to recruit an extra 20,000 police officers over the next three years, plus supporting infrastructure including additional police staff.

Up to 6,000 additional officers will be recruited in the first wave, before 31st March 2021, and will be shared among the 43 territorial forces in England and Wales. These have been allocated using the police funding formula which means TVP will receive 183 extra officers or 3.05% of the total.

A further announcement of the second wave of officers, for 2021-22 is expected next autumn.

Negotiations are still ongoing with the Home Office regarding the baseline position against which the extra officers will be measured. At this stage it appears likely that Actual Headcount as at 31st March 2019 will be used.

Future monitoring arrangements are still being negotiated with Home Office.

Demonstrating Productivity & Efficiency

As part of the Provisional Settlement announcement for 2019/20 the Home Office asked policing to provide further assurances in four priority areas in order to drive efficiency, productivity and effectiveness, namely:

1. Continued efficiency savings in 2019/20 through collective procurement and shared services. Every force expected to contribute substantially to procurement savings
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

Progress against these specific targets is monitored by the APCC and NPCC through the National Commercial Board.

Following the Spending Round 2019 it was announced that the police Service will have to deliver £120m of cash savings during 2020-21. The steer from Ministers is that frontline policing should be protected as far as possible, so Home Office are reviewing the current level of reallocations before looking elsewhere. Further information will be provided in the Provisional Police Grant settlement in December.

The Home Office has also made clear that the extra funding for police officers over the next 3 years is dependent on the successful implementation of the Police Commercial Organisation (PCO) to drive forward and deliver cash savings and efficiency improvements in collaborative procurement and shared back-office services.

Provisional Settlement 2020/21

In October 2018 the Minister for Local Government responded to the findings of the independent review of “Local Government Finance: review of governance and processes”, led by Andrew Hudson. His letter included the following text in respect of local government finance settlements

“In addition to the recommendations focussed on the Department’s own processes, Hudson considers in his report the overall approach to annual decisions on the local government finance system. In particular, he recommends that the provisional settlement should take place around 5 December and the final settlement no later than 31 January. We have accepted this recommendation, and will aim to publish by these dates, though will of course need to make sure each year that the settlement timetable aligns with fiscal events and Spending Reviews. Having a clear settlement timetable in place will help ensure that all parties – including local authorities – can take a more planned approach”

In normal circumstances we would expect to receive the provisional police grant settlement on or around 5th December. However, with a general election now scheduled for 12th December this will not happen. The timing of the announcement is now uncertain, but is not expected before January. Home Office are taking legal advice on the options.

Future funding: Spending review

The APCC and NPCC were working closely with Home Office and wider policing partners earlier this year to develop a co-ordinated Law Enforcement Spending Review submission for the period 2020/21 through to 2024/25 but, unfortunately, this joint work was curtailed by the political requirements for an early Spending Round announcement on 9th September.

Latest information is that the Spending Review work will recommence in spring 2020, but this will depend on the outcome of the general election on 12th December. The outcome from any SR submission will not be known until the Chancellor’s Autumn Budget 2020

Funding Formula

The police funding formula is broken and needs replacing. Indeed, the current formula has never been fully implemented. Substantial work was undertaken in 2016/17 to bring forward

new proposals but this work was suspended in May 2017, following the snap general election.

Although the APCC has written to the Policing Minister requesting that the Funding Formula be reviewed and updated before the next tranche of officers from the Uplift Programme is announced in autumn 2020, from a practical perspective this is unlikely to happen since Home Office Ministers have consistently stated that work on the Spending Review submission needs to conclude before work on the funding formula can commence.

Brexit

In June 2016 the Government held a referendum on whether the UK should leave or remain in the European Union. The 'Leave' vote won by 52% to 48%. The referendum turnout was 71.8% with more than 30 million people voting. The Government triggered Article 50 on 29th March 2017, which means the new arrangements has to be agreed by 28 March 2019. Negotiations with the EU have proven extremely complex, time consuming and divisive.

Several attempts have been made by the Government to obtain approval from Parliament for their Brexit Withdrawal Bill but each time they have failed. Following the latest failure in October the "Benn Act" required the Government to secure a further extension from EU. A further 3 month extension to Article 50 has been secured, through to 31st January 2020.

Growth in the UK economy

Due to the Brexit negotiations the UK economy continues to experience a bumpy ride. The economy is expected to grow by around 1.6% in 2020 and 1.8% in 2019¹. Inflation is below the 2% target. CPI is currently 1.5%, RPI is slightly higher at 2.1%. Despite these relatively poor economic figures, there are now 32.8 million people in employment, and the unemployment rate of 3.8% is the lowest for 44 years (i.e. since 1975). In August 2018 the UK base rate was increased for the second time in year, up from 0.5% to 0.75%, following a decade of no change. There have been no further changes since then. Any future changes, up or down, are expected to be small and gradual.

Reserves and balances

¹ Bank of England Economic Outlook – November 2019
Treas/Policy Documents/TVP Financial Strategy

There is an increasing focus on the amount of reserves held by the police. A report was presented to the Minister in October 2019 which showed that, at national level, total revenue reserves at 31st March 2019 were forecast to be £1.196bn; a reduction of £207m or 15% on the comparable figures twelve months ago. Current forecasts indicate that revenue reserves will fall by a further 39% between now and March 2022 to a figure of £726m.

Capital grants and reserves have fallen from £168m in March 2018 to £109 by March 2019 and expected to fall still further to just £30m by March 2022. Although these are national figures and trends, the situation in local force areas will vary significantly due to historical circumstances and current PCC plans.

3. AN OVERVIEW - LOCAL

In order to deliver balanced budgets with fewer resources, over £105m of cash savings have been identified and removed from the Thames Valley Police (TVP) revenue budget over the last nine years (i.e. between 2011/12 and 2019/20); an overall cash reduction of around 25%.

The latest Medium Term Financial Plan indicates that further budget cuts of at least £12.3m will be required over the next four years (i.e. 2020/21 to 2023/24) but there are a considerable number of uncertainties and risks underlying the funding assumptions, hence the actual figure could be significantly higher.

Although the Government has promised to protect local force budgets in cash terms (i.e. a real terms reduction) TVP continues to be an area of rapid population growth; its population is projected to increase by 15% over the 25 year period 2014 to 2039. This will significantly affect the volume, nature and profile of the demand for services. Worryingly, violent and serious crime is increasing and emerging crimes such as cyber crime, child sexual exploitation (CSE), female genital mutilation (FGM), modern slavery and human trafficking are further increasing the demand and complexity of policing.

The reduced availability of finance will clearly be a significant constraint on operational policing for the foreseeable future. Given the level of savings already made the financial challenge facing TVP over the next few years is significant, extremely challenging and will require changes in all aspects of service delivery including frontline policing. In order to deliver the level of budget cuts outlined in the medium term financial plan tough choices will continue to have to be made.

However, the fact that we have identified and planned for this real terms budget reduction, and have a proven productivity strategy and priority based budgeting process in place to deliver both cashable efficiency savings and productivity improvements, is a clear advantage. HMIC's new integrated PEEL (Police effectiveness, efficiency and legitimacy) inspection programme looks at how efficient forces are. In their latest report, published in September 2019, TVP was awarded an overall grade of "good" but was assessed as being "outstanding" in terms of meeting current demands and using resources

There are still some 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 provisional police grant settlement for 2020/21, which will include funding for the extra police officers
- The council tax referenda criteria in 2020/21 and later years
- Home Office monitoring arrangements for the Uplift funding (i.e. extra officers)
- The outcome of the Spending Review for 2021/22 and later years
- Funding requirements for the SE Regional Organised Crime Unit
- The continuing Impact of BREXIT discussions on the UK economy
- The amount top-sliced (or reallocated) from police grant to fund government projects and priorities such as Police Technology Projects and the Transformation Fund
- The impact of the new policing funding formula and the application of dampening, if implemented in 2021/22 or later years
- Changes in the taxbase over the next few years
- The size of local council tax increases in TVP.

Regardless of the financial challenges the overriding requirement is to provide an efficient and effective policing service. The Police and Crime Plan supported by the Force's Strategic Plan explains 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.

4. 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:

- **Support the delivery of priority services, by ensuring funds are allocated in accordance with local and national priorities;**
- **Ensure that revenue and capital funds are maximised to support policing and crime priorities as set out in the Police and Crime Plan and the Force Strategic Plan;**
- **Facilitate investment to improve service delivery, productivity and value for money; including investment in new technology and business change**
- **Plan effectively and realistically for the predicted increases in demand against the constrained availability of income;**
- **Continuously strive to improve efficiency, productivity and achieve value for money**
- **Demonstrate proper accountability of our use of public funds**
- **Provide for the long term financial stability of the force as far as possible**

To achieve this vision we will aim:

- To plan realistically for the real-terms reduction in government grant income
- To plan realistically for future commitments and investments
- To produce realistic estimates for each area of structural reform or major budget reduction.
- To deliver stability in TVP budgets by ensuring that changes from year to year in resources available and the financing 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 allocation, usage and management, to deliver efficiencies and hence maximise investment in priority services.
- To use new, innovative ways of examining all areas of police business in order to identify and implement the predicted level of budgets cuts now required, e.g. Priority Based Budgeting, Demand analysis
- To use benchmarking and other tools to challenge and demonstrate the achievement of value for money. We will challenge spending pressures and the spending norms; not simply accept them as a 'given'.

- 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 provision to ensure financial stability and to provide opportunities to fund the one-off costs of, e.g. structural reform, technology investment to facilitate long term efficiencies, invest to save initiatives and investment for performance.
- To work closely with other forces and partners, where appropriate, to deliver cost savings and improve resilience and performance (e.g. collaboration with other forces & fire and rescue services).
- To work closely with partners (e.g. for community safety and victims services) to commission services in an efficient and effective manner
- To promote effective internal audit of financial management and control arrangements
- To embed effective risk management arrangements throughout the organisation
- To ensure our asset portfolio is of an optimum size and maximise the utilisation and efficiency of our asset portfolio.

5. EXTERNAL INFLUENCES ON THE FINANCIAL STRATEGY

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

- Brexit – supply chain and exchange rate fluctuations, together with demand on services is not known

- Government priorities – a change in Government on 12th December could impact on police funding and demands
- The current one year spending review creates future uncertainty and inhibits robust planning
- PCC elections in May 2020 could influence the direction and focus of future service and spending priorities
- UK and global economy, including the size of public debt
- Changes in the demand for policing services as evidenced in the Spending Review submission 2019
- Potential impact of the new police funding formula should it be implemented in 2021/22 or later years
- Government assumptions on future council tax increases
- The referenda limits for council tax increases
- New ways of working (e.g. the duty on PCCs and chief constables to explore and pursue opportunities to deliver services in collaboration with public and private sector partners)
- NPCC & APCC 2025 Policing Vision to deliver reform in policing. Policing Vision 2030 is currently being developed
- New arrangements for delivery of national and specialist policing services and the national enabling programmes for digital policing
- The continued withdrawal of partner funds, resources and services
- Government changes to procurement (e.g. implementation of the new Police Commercial Organisation)
- Legislative changes (e.g. Health & Safety, Disability Act, Policing Reform)
- Operational demands and the changing pattern of Crime.
- Population growth in the Thames Valley (an estimated extra 400,000 people over the next 25 years)

6. FUNDING OBJECTIVES

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

- 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
- 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
- Maximise collaboration and partnership working where it improves service effectiveness, reduces costs and improves efficiency without introducing undue risk to service delivery
- Increase council tax income as appropriate to alleviate the impact of budget reductions on operational policing services
- Make the best use of finite revenue and capital cash reserves

7. MEANS OF DELIVERY

The following key documents will be produced or actions undertaken:

- An annual revenue budget that supports and complements the Police and Crime Plan and the Force Strategic Plan, within the parameters set by government for expenditure capping.
- A medium term financial plan 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 other budget reductions, council tax base and the overall surplus or deficit on collection funds and, finally, government pronouncements on capping.
- An annual capital budget produced in accordance with the Capital Policy Statement.
- A funded medium term capital plan incorporating the investment required to maintain and develop the force infrastructure to support the delivery of the Police and Crime Plan and the Force Strategic Plan.

- A capital strategy to highlight the authority's capital investment ambition, whilst also ensuring appropriate capital expenditure, capital financing and treasury management in the context of the sustainable, long-term delivery of services
- 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

8. GOVERNANCE

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

- TVP will adopt Financial Regulations including Contract Regulations to codify its financial management policies. The Chief Constable will issue more detailed Financial Instructions to complement and support these Regulations
- After consideration of any recommendations received from the Police and Crime Panel with regard to the proposed council tax precept, the PCC will approve the annual revenue budget, annual capital budget, medium term financial plan, the medium term capital programme, capital strategy and the annual treasury management and investment strategy in January each year
- Day to day responsibility for management of the operational budget is undertaken by the Chief Constable, in accordance with the approved joint corporate governance framework
- 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 and published by the Chief Constable and the PCC in accordance with statutory timescales

Approved by: Police and Crime Commissioner & Chief Constable

Date: 29 November 2019

Review date: November 2020