



Report for Decision to the Level 1 Public Meeting on 19th January 2021

Title: Revenue Estimates 2021/22 and Medium Term Financial Plan 2021/22 to 2023/24

1 PURPOSE OF REPORT

- 1.1 This report provides information on the provisional police funding settlement for 2021/22 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, subject to final taxbase notifications, the council tax requirement for 2021/22 be set at £213,161,865
- 2.3 That any variation in the final amount of council tax income be appropriated to or from General Balances
- 2.4 The revenue estimates for 2021/22 as set out in Appendix 1
- 2.5 That the police element of the council tax for 2021/22 be set at £231.28 for properties in Band D, with the charge for other bands as set out in Table 1.

Table 1 – Council tax 2021/22

Property Band	Relevant Proportion	PCC Element of the Council Tax £
A	6/9	154.19
B	7/9	179.88
C	8/9	205.58
D	9/9	231.28
E	11/9	282.68
F	13/9	334.07
G	15/9	385.47
H	18/9	462.56

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 2021.
- 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 2021 to consider the PCC's revised precept proposals for 2021/22
- 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 2021/22 Police Funding Settlement was announced in a written statement by the Policing Minister, Kit Malthouse, on 17th December 2020. A copy is attached at Appendix 2.
- 4.2 This settlement follows the one-year Spending Review that was announced on 30th November and takes place with a backdrop of severe economic difficulties due to the ongoing Coronavirus Pandemic as well as uncertainty around Brexit. GDP for the year was down 11.3%, the largest recession recorded.
- 4.3 Prior to the publication of the settlement, the sector was expecting an additional 400m for the recruitment of 6,000 officers, towards the 20,000 target by 31st March 2023.

Headlines

- 4.4 Given the recent publication of the 2020 Spending Review some of the settlement was already known.
 - Core Grant, including the Police Officer Uplift grant, increases from £7.8bn to £8.2bn, a rise of £413.6m or 5.3%.
 - £15 precept flexibility for all PCCs, or equivalent, which could generate an additional £287m nationally for local priorities.
 - 75% of council tax losses in 2020/21 (due to Covid-19) to be compensated for in 2021/22 via a new Local Council Tax Support Grant.
 - A reduction of £87.4m (8%) in reallocations, down from £1.1bn to £1.03bn.
 - Flat cash pension grant allocations compared to 2020/21.
 - Capital grant remains cash flat for PCCs at £12.3m
 - £52.3m of capital funding for national priorities and infrastructure

Core Funding

- 4.5 The Government's Core Funding (made up of Police Grant and Ex-MCLG funding) has increased by 6.3%. However, once the PUP ring-fenced grants from this year and the previous year are included, this figure drops to 5.3%.

Council Tax

- 4.6 All PCCs have been given flexibility to increase Band D council tax by up to £15. Assuming full take up of the maximum flexibility an additional £287m could be generated nationally for local policing.

Tax Base Assumptions

- 4.7 The Home Office have used the OBR's latest Tax Base assumptions published in the Economic and Fiscal Outlook for November 2020. For local policing bodies in England this shows a reduction of 0.16%.

Reallocations

- 4.8 In 2021/22 the reallocations from police funding total £1.033.5bn, £87.4m lower than in 2020/21 (£1.120bn). Primarily, this difference comes from a £26m reduction in special grant, a £52m reduction in top-ups to NCAs and ROCUs (it is worth noting that this top up now only applies to ROCUs), a £14m reduction in Police technology programmes, and a reduction of £8m in National Capability programmes.

Table 2: Police Settlement Reallocations

	2020/21	2021/22	Variance
	£m	£m	£m
Reallocations and adjustments	1,120.9	1,033.5	-87.4
Special grant	80.9	54.8	-26.1
PFI	72.8	71.6	-1.2
Arms length bodies	73.1	70.5	-2.6
Police Uplift Programme (PUP)	16.5	14.5	-2.0
Police technology programmes	498.4	484.7	-13.7
national operational policing units	2.9	2.9	0.0
Blue Light Commercial	3.7	5.0	1.3
Pre-charge bail	2.0	2.0	0.0
national capability programmes	47.0	38.7	-8.3
Forensics	28.6	25.6	-3.0
Police Now	7.0	7.0	0.0
Serious violence strategy	38.9	38.9	0.0
safer streets fund	10.0	20.0	10.0
Counter-terrorism	32.4	32.5	0.1
SOC strategy implementation	140.0	146.3	6.3
NCA & ROCU top-ups	56.8	4.9	-51.9
Prum	1.8		-1.8
Science, Technology, Research	8.0	5.2	-2.8
NPCC		3.2	3.2
Intl crime co-ordination centre		5.0	5.0

Pensions Grant

- 4.9 Pensions Grant allocations remain unchanged from those in 2019/20 as well as 2020/21. They have not been updated to reflect the new forecasts.

National and International Capital City Grant (NICC)

- 4.10 In 2021/22 the NICC grant for the City of London and MOPAC have remained frozen in cash terms at £4.834m and £185.339m respectively.

Precept Grant

- 4.11 In recognition of the City of London not benefiting from the increases in council tax precept this year's precept grant has risen to £4.57m, an increase of £1.12m.

Capital Funding

- 4.12 Total Police Capital Grants are now worth £64.6m but only £12.3m will be allocated to local forces; the same cash amount as in 2020/21.

Table 3: Capital Funding

2020-21	£m
Police Capital Grant	12.3
Police Liv Police Live Services	9.2
National Police Air Service	11.5
Arm's Length Bodies	4.0
Police Technology Programmes	15.0
Counter Terrorism	1.6
Serious and Organised Crime Programmes	9.0
Football Policing	2.0
TOTAL	64.6

Counter Terrorism

- 4.13 The Minister announced a total of £914m for Counter Terrorism (CT) policing in 2021/22. This is £46m lower than in 2020/21. However, the Minister makes it clear that continued investment in CT policing will support record high numbers of counter terrorism policing investigations across the UK.

Local Council Tax Support Grant

- 4.14 The Government is providing £670m of new, unringfenced funding to local authorities, including the Police, in recognition of the increased costs of providing council tax support and other help to economically vulnerable households following the pandemic.
- 4.15 The Government expects the funding to meet the additional costs associated with increases in local council tax support (LCTS) caseloads in 2021/22. Decisions on local council tax support scheme design for 2021/22 will be for billing authorities to take as usual, in consultation with their major precepting authorities and the public.
- 4.16 The funding is not ring-fenced and can be used to provide other support to vulnerable households, including through local welfare schemes.

Local tax income guarantee for 2020/21

- 4.17 Earlier this year HM Treasury announced that the repayment of collection fund deficits arising in 2020/21 will be spread over the next 3 years rather than the usual period of a year. The regulations to implement the collection fund deficit phasing came into force on 1 December 2020.
- 4.18 The recent Spending Review confirmed that the Government will compensate local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020/21.
- 4.19 Billing authorities and major precepting authorities will be paid directly through section 31 grant in full into general funds in 2021/22.

4.20 Two thirds of this grant income will need to be appropriated into reserves in 2021/22 to ensure that sufficient income is available in 2022/23 and 2023/24 to offset the phased deficit on collection fund arising from 2020/21.

Expectations of the Sector

4.21 According to the statement, the Government expects the police to continue to build on the progress that has been made in terms of efficiency and productivity. The statement lays out three targets.

- Forces to recruit another 6,000 officers by the end of March 2022 (some of these officers are expected to go into Counter Terrorism Policing, ROCUs and the National Fraud Intelligence Bureau).
- £120m efficiency savings from across the law enforcement sector (reflected as part of this funding settlement). These are expected to be delivered through a combination of improved procurement practises as well as savings in areas such as estates, agile working and shared services. They are broken down as follows:
 - £95m against core grant
 - £8m against CT policing
 - £2.8m from the NCA
 - £14.2 programmes within reallocations.
- High quality data should be collected and used to support local delivery, identify efficiencies and support the National Policing Board’s drive to deliver the best possible outcomes within policing.

Ministry of Justice Grants

4.22 The MoJ is expected to release details of Victim and Witness grant allocations in late January.

5 THAMES VALLEY ALLOCATIONS

5.1 As shown in Appendix 2 the PCC will receive the following grants in 2021/22.

Table 4: TVP grant allocations 2020/21

	2020/21 £m	2021/22 £m	Variation £m
Home Office Police Grant	153.446	163.955	10.509
Ex DCLG Formula Funding	79.319	83.482	4.163
Sub-total	232.765	247.437	14.672
Legacy council tax grants			
- Council tax support funding	11.906	11.906	0
- 2011/12 council tax freeze grant	3.372	3.372	0
Total General Grants	248.063	262.715	14.672
Ring-fenced Uplift Funding	5.118	3.000	- 2.118
Settlement Funding	253.181	265.715	12.554

5.2 In addition to these general grants the PCC will also receive circa £2.9m from the Ministry of Justice to fund victim and witness services in 2021/22, £2.8m in Local council tax support grant and circa £1.3m for the Local tax income guarantee for 2020/21.

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

6.1 The overall settlement and the flexibility that the PCC has been allowed for council tax precept levels is extremely encouraging especially when compared to the quite pessimistic assumptions that we had earlier in the year. It clearly demonstrates the importance the government places on the services delivered by the police service and the difficulties and challenges we are currently facing. The totality of the potential additional funds on offer provide the force with a real opportunity to protect and develop the force over the next two to three years. We are very conscious that this is only a one year settlement, and once the impact of Covid-19 has been assessed on the national finances, the impact on the public purse will be significant and the Police grant funding, like all sectors, will be at risk. It is therefore imperative that we take this opportunity and maximise the benefits to the communities of Thames Valley.

6.2 We must be realistic in what we can achieve and how quickly we can achieve it. The additional officers awarded to TVP under the Police Uplift Programme (PUP) need to be recruited and trained. But this alone is not enough to respond to the challenges the force faces with the changing crime patterns and increasing levels of vulnerability. We need to adapt our organisation to ensure we maximise the effectiveness of all our existing officers and staff as well as the additional numbers. The use of technology to improve the productivity of officers and their ability to respond to and protect the vulnerable is critical. Whether this is the introduction of software such as Pronto, to give officers access at their fingertips to information to improve and tailor their response, or our ability to use forensic techniques to help identify criminals and solve crime, it is a very complex picture which needs to be carefully brought together to maximise our ability to protect our communities and make Thames Valley a hostile place for all criminals.

6.3 The potential of the additional funding would allow us to invest for the medium term to achieve some of our ambitions for the service delivery of the force and expand our capability in those areas of most concern to ourselves and the public as a whole. These ambitions include:

Neighbourhood Policing a& PCSO's

6.4 The Force remains committed to Neighbourhood Policing in both philosophy, strategy and dedicated resources. We are currently reviewing our approach ensuring best practice across the Force. At the heart of our approach is the role of the PCSO, dedicated familiar, accessible officers, known by their community and at the heart of local community safety and engagement. We do need to recruit more staff whose longer term plans are to remain PCSO's rather than join other aspects of the Police

family. They are well regarded by stakeholders and public alike. Precept funding would allow the Force to maintain our popular establishment of PCSO's and deploy additional police officers elsewhere.

Rural Crime Task Force.

- 6.5 Our current Neighbourhood Teams work hard in this area but having the scale to respond to patterns of criminality and be visible to the many, can be difficult. Confidence in our approach varies across the Force. ACC Local Policing is currently developing options around a dedicated Task Force that would provide increased visibility, enforcement and prosecution in relation to crimes affecting the rural community in particular. The Task Force made up of Uniform and CID, would be highly visible and deployable to locations across the Force. The public would see and feel the difference. The Task Force would support the local long term problem solving but with scale. They would target Serious and Organised Acquisitive crime, hare coursing and other criminal activity such as organised fly tipping. Clearly they would have a role to play in enforcement activity in respect of unauthorised encampments in rural communities.

County Drugs Line (CDL) Enforcement:

- 6.6 The disruption of such CDL's is a Force priority and is clearly a priority for Government. They are quick to establish and significant damage follows.
- 6.7 The Force's response to County Drugs Lines has a number of layers. The Serious Organised Crime Unit (SOCU) target the organised medium level dealers with success. More recently, in an effort to take advantage of the diminishing CDL footprint during Covid-19, we have developed a more agile approach to disrupting CDL's and creating a hostile environment for dealing to take place. Using a combination of covert and overt tactics, results have been positive. The methodology is now being adopted across the region.
- 6.8 The current team itself is modest and is made up of a variety of seconded officers. Indeed to maintain the capability, one of the SOCU crime teams has been dedicated to this work over the summer, which does impact on their 'medium' level activity.
- 6.9 Increased funding would allow TVP to 'industrialise' our approach and resource a central capability as well as developing and increasing numbers within LPA based Stronghold/Tasking teams.

Domestic Abuse (DA) Capability:

- 6.10 We have had some success over the last 18 months with increased attendance and arrest rates and outcomes now up by some 38%; that's an additional 650 offenders brought to some form of justice.
- 6.11 However domestic reports are also rising with an increase of 23% compared to this time last year. That's an extra 3.000 crimes. Moreover experience suggests that during economic downturns and increased unemployment domestic abuse will

further increase, so having increased capability in this area is very important. Local Policing is reviewing its DA response and examining the roles and responsibilities of DA units who own and deal with high risk and LPA's. Domestic Abuse is now a high risk volume crime. Whatever the structure we anticipate more resources required in this area. Increased funding would protect more vulnerable members of the community and bring more offenders to justice.

Cyber/Fraud:

- 6.12 Fraud is significantly under reported and national processes lack credibility. TVP has a capable Force Economic Crime Unit we have previously reported upon. The Force works closely with the Regional Organised Crime Unit (ROCU) and their Cyber Capability has been previously reported upon. The Force assesses that 80% of Fraud is preventable. In that regard prevention is a key area of development for the Force and would be enhanced by additional funding.
- 6.13 The increase in our capability in these and other areas is dependent on the continued recruitment and training of Uplift officers over the next two years. Our intention is to continue to develop the capabilities described above during 2021 and then add additional resources as they become available to the Force to increase their impact.
- 6.14 The additional officers are key to developing the above key capabilities but we also need to ensure the infrastructure, technology and supporting services are there to complete the overarching improvement in service provision. We need to understand our demand to ensure we respond appropriately to each incident, we need to make sure we are maximising the effectiveness of our officer's time by providing them with access to technology. There are a number of highly desirable and necessary bids which support these requirements and the improvements in our service, which previously we had assumed could not be met due to the perceived financial constraints. .
- 6.15 Fully utilising the additional funding from the full council tax increase would allow investment in these highly desirable areas over the period of the current MTFP. In particular we would look to invest in long term development and resourcing in the following areas, with the following investment, totalling £5.4m, in 2021/22:

Forensic Services and Digital Investigation	£0.5m
Effective Demand Management	£0.5m
Safeguarding and Vulnerability	£1.0m
End to End Investigation Processes	£1.6m
Operational End User Devices	£1.8m

- 6.16 The recent uplift programme is clearly positive and we welcome the 361 officers we have already received confirmation of, and the anticipated further 170 - 220 in the third year (i.e. 2022/23). Whilst these increases are significant, we have to remember that this barely addresses the officer numbers lost since 2011, compounded by the significant numbers of police staff that we also had to remove

from our establishment.

- 6.17 Prior to the announcement of the council tax flexibility, our plans required 192 of these officers to be used in areas of policing over the coming years that we would rather not if we had alternative options. They would be performing an operational policing function but one that could be and is currently performed by police staff:

Contact Management	30 Posts
PCSOs	120 Posts
Police Staff Investigators	42 Posts

- 6.18 The cost of not replacing these posts with new police officers and maintaining the current staff, would be circa £7.7m over the MTFP period, with £2.5m of this falling in 2021/22.
- 6.19 The MTFP presented today with the assumption of council tax being set at £15 ensures additional police officers are focused on improving our capabilities and service delivery rather than supporting existing services.

7 OVERVIEW OF 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 MTFP is formulated on the recommendation that the Band D council tax precept will rise by £15 (6.94%) in 2021/22. This increase of less than 29 pence a week is based on the guidance set out in the funding settlement which allows PCC's to increase council tax precepts up to this level to support the demands and challenges faced by the police service.
- 7.3 The increase in council tax precept at £15 increases the overall council tax receipt by £13.8m, an additional income stream of circa £9m above the assumed 2% increase in the draft MTFP in November 2020. For 2021/22, this allows us to cover our essential mandatory growth of £5.3m (Tier 1) and further invest £5.3m in Tier 2 – service delivery improvement.
- 7.4 Thames Valley Police (TVP) has been allocated an additional 171 officers from the second tranche of 6,000 officers to be delivered by 31 March 2022. The funding settlement allows for the full funding of these officers in the financial year together with an uplift to allow for additional on-going infrastructure and support costs for the officers. In addition to the above, TVP has also received funding for 8 additional

officers for the South East Regional Organised Crime Unit (SEROUCU), which together with increases to the other regional forces will give the SEROUCU a total increase of 24 Officers.

- 7.5 The past 12 months have provided new and unprecedented pressures on policing in response to the national and global pandemic, changing the way we police our communities, how we protect our officers and staff in performing their roles, and dealing with the complex and ever changing legislation and enforcement rules that we work to. All of this is also in addition to ever more complex crime, particularly in the digital arena for which continued investment and training needs to be prioritised.
- 7.6 The MTFP presented today attempts to address the rising demands of an increasingly complex policing environment against the significant financial uncertainties beyond the next 12 months.
- 7.7 The current draft summary position of the revenue budget is shown in Table 4 below:

Table 5: Summary of Draft MTFP

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Annual Base Budget	448,929	476,728	493,885	506,942
Inflation & Pay Commitments	6,345	11,842	14,656	14,665
Productivity Savings	-3,534	-4,133	-5,159	-3,250
Committed & Statutory Growth	14,329	11,096	6,145	2
Tier 1 - Essential Growth	5,311	-2,673	-2,585	30
Tier 2 - Service Delivery Improvement	5,348	1,025	0	0
Net Budget Requirement	476,728	493,885	506,942	518,389
Total External Funding	-476,728	-493,427	-502,589	-511,033
<i>Annual Budget (Surplus)/Shortfall</i>	<i>0</i>	<i>458</i>	<i>3,895</i>	<i>3,003</i>
<i>Cumulative Budget (Surplus)/Shortfall</i>	<i>0</i>	<i>458</i>	<i>4,353</i>	<i>7,356</i>

- 7.8 As can be seen, the 2021/22 financial year is balanced, however there are still variances in years 2-4 of the plan. At this stage there are a significant number of unknowns around future funding and expenditure levels which should become clearer following the Comprehensive Spending Review later this year. For example, the current assumptions include cash flat grant from 2022/23 but a 2.5% pay award from September 2022. Hence we have not tried to balance these future years at this stage, as to do so would be based on assumptions and estimates which could vary significantly.
- 7.9 Although significant risks and uncertainties remain into future years, the force does have a robust Productivity Strategy which includes the Efficiency and Effectiveness programme, designed to reduce the overall cost of the organisation whilst ensuring resources are directed to our highest priority areas, and this will continue to be developed and refined as a key priority in the financial management of the force

going forward.

Budget Preparation

- 7.10 Significant work has been undertaken by the force over the last 12 months to support service delivery and address the financial challenges facing the force. The MTFP incorporates the financial outcomes and requirements identified from this internal work alongside the financial impacts of external influences.
- 7.11 The budget presented today aims to support the delivery of the PCC and force priorities, to:
- Reduce crime & incidents
 - Bring more criminals to Justice
 - Improve how we protect the vulnerable and
 - Increase the satisfaction of victims and other people in need;
- Through:
- Sustaining a valued workforce with the capacity and capability to manage the challenges of modern policing
 - Manage resources to invest in priority areas and maintain core policing services
 - Implement digital development, integrating new technologies to advance our organisational and operational response
- 7.12 The welcomed increase in police officer numbers takes place at the same time as two new entry routes into policing, Police Constable Degree Apprenticeship (PCDA) and Degree Holder Entry Programme (DHEP). This is a significant change to the way police officers are trained and, as with any such radical change programme, comes with risks associated with the overall attractiveness of the programmes to new recruits and the costs associated.
- 7.13 The availability of technology and equipment provided to officers and staff has gone through a rapid increase due to the level of remote working required in the current circumstances. This particularly includes smart phones and laptop computers but this rapid rollout does come with a substantial cost to support and maintain which is reflected in the Essential (Tier 1) Growth category, not least in software license numbers.
- 7.14 Financial provision is also included within the MTFP to address the future technology and infrastructure requirements in the knowledge of the declining capital reserves and virtually non-existent capital grant.
- 7.15 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 Strategic Plan.
- 7.16 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 over the full MTFP period.

- 7.17 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 3.

MTFP Assumptions

- 7.18 In compiling the MTFP, the following assumptions have been used as the basis of the plan for the next 4 years:
- General inflation will be applied at 2.0% in each of the next 4 years ;
 - Specific inflation rates are based on sector led rates, e.g. Premises at 4.7%, Fuel at 2.0% and Utilities at 4% per annum;
 - Pay inflation has been included at 2.5% per annum for both Police Officers and Staff, with the exception of 2021/22 where the “Pay Pause” has been applied and uplifts are 0%;
 - Council tax precept to increase by £15 (6.94%) in 2021/22 with estimated increases of 2.0% per annum thereafter;
 - The Council Tax billing base assumed to be 0.25% for 2021/22 with incremental rises over the following years;
 - General police grants to remain “Cash Flat” over the period;
 - The use of reserves to support the MTFP & MTCP but these 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 level of reserves and the very low level of annual capital grant.
- 7.19 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 funding of capital has increased to provide an annual fund of £11.1m by 2021/22; this reflects the previous assumption of £10m, increased to reflect the reduction in capital grant in the current year. Specific growth bids will be funded in addition to this annual provision where appropriate. This is seen as a sensible approach to future financial sustainability.

Inflation

- 7.20 This additional cost does not relate to any increase in service, but is required just to maintain the existing base level of service.

- 7.21 General inflation rate has been included at 2% per annum and adds an additional £1.6m in 2021/22 and an extra £5.3m for the following 3 years.
- 7.22 Pay awards have been paused for 2021/22 at 0%, with estimated increases at 2.5% per annum thereafter for both police officers and staff, plus allowances for increments (net of wastage) which will add £4.26m in 2021/22 and a further £34m over the following 3 years.
- 7.23 In addition to these increases in general and pay inflation, specific inflationary increases for the likes of the facilities services contract have also added additional pressures to the base budget of circa £2.2m over the four year period.
- 7.24 Overall inflation for 2021/22 adds £6.4m (average rate of 1.4%) to the annual budget, a further £11.8m in 2022/23 (average rate of 2.4%), £14.7m in 2023/24 (average rate of 2.9%) and £14.7m in 2024/25 (average rate of 2.9%).

Committed & Statutory Growth

- 7.25 This section deals with the items within the budget, which the PCC is committed to by means of previous decisions taken, national agreements or statutory payments.
- 7.26 The main significant changes that have occurred in this section for the 2021/22 period include:
- Adjustments to reflect one-off and reserved funded items in previous years.
 - Expenditure and assumed growth in relation to the national Police Uplift Programme (PUP) officers.
 - In-year approved growth items for on-going initiatives.
 - Expected growth in committed budgets e.g. Charges for National IT systems from Home Office £0.5m, Increase to insurance costs £0.2m and technology investment through DRF £2.9m.
- 7.27 Further details are provided at Appendix 4.

Tier 1 – Essential Growth

- 7.28 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 2021/22 include:
- Operational Delivery £1.3m, including £0.9m one-off cost to upgrade Niche.
 - Technology investment £4.3m, of which £2.0m reflects one-off costs to update or refresh existing systems/platforms e.g. to support the increase in remote working
 - Support & Infrastructure (£0.3m). Reflecting the removal of a number of temporary contact management staff following the go-live of CMP reduced by the declining level of income in relation to Criminal Justice.
- 7.29 Further details are provided at Appendix 4.

Tier 2 – Service Delivery Improvement

- 7.30 This element of the budget contains growth which will significantly improve service delivery, however is not deemed to be essential in maintaining the minimum service. With a Council Tax Precept increase of £15, the generated additional funding has not only allowed us to maintain staffing numbers over the MTFP period as previously highlighted, but it also allows for an investment plan over the coming years to improve how we manage our processes and invest in areas of high priority, improving our services and improving delivery to the public.

The key areas for investment during 2021/22 include:

- Forensic Services and Digital Investigations (£0.5m) – this will allow investment in new and cutting edge technologies and training to enhance our forensics capabilities, including the ever increasing digital forensics requirements.
- Effective Demand Management (£0.5m) – this will enable further investment into analysing our demand and prioritising how we react to and deal with these varied specific and general demands, ensuring that the right resource is in the right place at the right time.
- Safeguarding and Vulnerability (£1.0m) – This is an area which we have previously invested quite significant resource through the MTFP, and now additional demands require an uplift of staff in these areas to manage the increase in volumes and complexity.
- End to End Investigation Processes (£1.6m) – This will enable the end to end investigation process to be bolstered, covering investment in Criminal Justice, The Endeavour Investigation Programme, CCTV Management, Intelligence Training and Delivery, Firearms Training and Specialist Search equipment.
- Operational End User Devices (£1.8m) – this would enable the development of better storage solution for the likes of Body Worn video, as well as increasing the number of units available to deploy, along with additional Tasers and training for those officer that require them for their roles.

Reserve Funded Including Support & Infrastructure

- 7.31 These items of growth are funded from reserves:

- Additional funding from general balances for bank holiday overtime reflecting the varying number of bank holidays each fiscal year;
- Significant property maintenance schemes are essential to maintain the operational usability of our estate but do not increase the value of the estate. As in previous years, these are funded from the Improvement & Performance reserve.

7.32 Further details are provided at Appendix 4.

Funded By

7.33 The 2021/22 settlement provided an increase in main grants of £14.6m, however this was countered by a decrease in the PUP special Grant of £2.1m, giving a net increase of £12.5m. This increase is wholly for the increase in PUP officers of 179 FTE (including 8 for SEROCU) and therefore means the core base grant has been applied as a cash flat allocation. These assumption have been carried forward through the period of the MTFP, however with the assumption that pay inflation will be reinstated in years 2-4, this cash flat allocation essentially delivers a real terms cut in funding over the period.

7.34 It is hoped that the delayed 3 year CSR will be carried out in 2021, which will give us a more certainty when looking at future years estimates in the next MTFP

7.35 The MTFP is also based on the assumption that the PCC will increase the council tax precept by £15 in 2021/22 with following year's increases being limited to 2% per annum.

7.36 The Council Tax base growth has been limited to 0.25% for 2021/22, with incremental increases over the remaining periods of the MTFP.

Force Productivity Strategy

7.37 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. To date total cash savings of £109.2m have been taken out of the base revenue budget over the last 10 years (i.e. 2010/11 to 2020/21), however it is becoming more and more difficult to identify and deliver true efficiency savings as opposed to cuts.

7.38 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. However, it has to be acknowledged that we are currently constrained in our scope to deliver savings by the requirements to grow our police numbers in relation to the national PUP.

7.39 The Efficiency and Effectiveness review was challenged this year to find £13m of new savings over the next three years. This work has been progressing during the year and has reviewed areas across the force to identify where savings could be delivered. £16.1m of savings are now incorporated within the MTFP, including £3.5m in 2021/22. The scope of these savings is across all Directorates of the force and include key initiatives to cover:

- ICT Contract savings

- Savings from force wide smarter ways of working
- Delivery of the People Directorate operating model
- Changing the opening times and locations of our front counters
- Savings from printing contracts
- Reduction in ICT spend on software licences
- Reduced flying time demands on the National Police Air Support unit

7.40 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.

7.41 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.

7.42 A copy of the full Productivity Strategy is attached at Appendix 5.

8 **Establishment Changes**

8.1 The Police Uplift Programme, the national drive to increase police numbers by 20,000 across the service has seen TVP receive funding for an additional 171 officers in 2021/22.

8.2 Fortunately, following a period of difficult recruitment, TVP initiated an aggressive recruitment drive which means we are in an excellent position to take full advantage of this increase. Not only have we already achieved the 183 growth from 2020/21, but we also anticipate finishing the year 95 officers above planned establishment, well into our new growth of 171 for 2021/22. The over establishment at the year-end is a consequence of the Covid-19 pandemic and the impact on wastage which has been reported during the year in the revenue monitoring.

8.3 This growth in police numbers is a massive boost for the force, although it does not fully mitigate the reductions over the last ten years and the significant increases in demand for our services, it is very welcomed. This uplift in numbers and the increase in council tax funding is giving us a real opportunity to review our workforce mix and direct the extra officer numbers to areas which will fully utilise their skills and improve performance for the force.

8.4 The estimated summary position for the force establishment over the MTFP is shown in table 6 below:

Table 6 – Estimates of Force Establishment

	Police	Police Staff	PCSOs	Total
Original Estimated Establishment at March 2021	4,004.30	2,977.00	423.00	7,404.30
<i>In Year Adjustments 2020/21</i>				
Various Growth Including the ICT TOM	1.00	33.40	(10.00)	24.40
Revised Estimated Establishment at March 2021	4,005.30	3,010.40	413.00	7,428.70
2021/22 Adjustments				
Productivity Plan Savings	(1.00)	(32.13)	-	(33.13)
Growth	-	(12.00)	-	(12.00)
Growth - National PUP	171.00	-	-	171.00
Estimated Establishment at March 2022	4,175.30	2,966.27	413.00	7,554.57
2022/23 Adjustments				
Productivity Plan Savings	(1.00)	(32.50)	-	(33.50)
Growth	-	(28.00)	-	(28.00)
Growth - National PUP	150.00	-	-	150.00
Estimated Establishment at March 2023	4,324.30	2,905.77	413.00	7,643.07
2023/24 Adjustments				
Productivity Plan Savings	-	(25.00)	-	(25.00)
Growth	-	(6.00)	-	(6.00)
Estimated Establishment at March 2024	4,324.30	2,874.77	413.00	7,612.07
2024/25 Adjustments				
Productivity Plan Savings	-	-	-	-
Growth	-	-	-	-
Estimated Establishment at March 2025	4,324.30	2,874.77	413.00	7,612.07

Note: The PUP Uplift figures for 2022/23 are estimates at this stage as no formal notification has been received.

9 **Impact on Council Tax**

9.1 The PCC will receive police grant of £164.0m, ex-DCLG formula grant of £83.5m and legacy council tax grants of £15.3m in 2021/22. These levels of grant income are determined independent of the PCC's planned spending budget for the year.

Surplus on Collection Funds

9.2 Any deficit attributable to 2019/20 is taken in full in 2021/22. However, as previously mentioned in paragraph 4.17, any deficit on collection fund arising in 2020/21 can be spread over the next three years rather than the usual period of a year.

9.3 7 of the 13 billing authorities in the Thames Valley area have provisionally reported a deficit on their collection fund, whilst 6 others have reported a surplus.

9.4 After phasing of the deficit, and taking account of the local tax income guarantee for 2020/21, it is currently estimated that, based on provisional council data, the PCC will receive a net surplus of approximately **£0.85m** in 2021/22, details of which are provided in Appendix 6.

Funding the 2021/22 Revenue Budget

9.5 Table 7 shows how the 2021/22 revenue budget will be financed.

Table 7: Revenue Funding 2021/22

	£m	%
Police grant	163.9	34
Ex-DCLG formula grant	83.5	18
<i>Total formula grant</i>	<i>247.4</i>	<i>52</i>
Council tax precept (estimate)	213.1	
Council Tax surplus on collection funds (estimate)	0.9	
<i>Total council tax</i>	<i>214.0</i>	<i>45</i>
Legacy council tax grants	15.3	3
Total Financing	476.7	100

Council Taxbase

9.6 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.

9.7 In total, the provisional estimate of the 2021/22 taxbase for the PCC is 920,097 Band D equivalent properties, as Appendix 6 illustrates. This represents an annual increase of 733 properties or 0.08%.

Band D Council Tax

9.8 The band D council tax proposed for 2021/22 is £231.28, an increase of £15.00 or 6.94% on the comparable figure for 2020/21

9.9 As shown in Appendix 7 our current 2020/21 band D council tax of £216.28 is below the English national average of £218.19. The appendix also shows that TVP is significantly below average in terms of net cost per 1000 population when compared to other forces (£185,507 compared to £196,408). 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.

PCC's budget consultation

9.10 On Wednesday 6th January the PCC launched a short, 2-week public consultation on his proposed £15 increase in council tax precept. [Police and Crime Commissioner | Thames Valley · Thames Valley Police & Crime Commissioner \(thamesvalley-pcc.gov.uk\)](#). The consultation was launched via:

- TVP Alert (88,123 members)

- OPCC newsletter – 1,606 members
- Councillors / Parish councils – 1,387 recipients
- Press release sent to all Thames valley based journalists
- Promoted via social media – Facebook launch (1,378) and Twitter launch (2,261 reached)

9.11 As at Wednesday 13th January, 3,786 members of the public had responded, with 2,416 or 64% voting in favour of the increase

10 **LOCAL GOVERNMENT ACT 2003**

Robustness of estimates and adequacy of reserves

10.1 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

10.2 A separate agenda item shows the latest position on reserves, balances and provisions.

10.3 Based on current planning assumptions general revenue balances will stay above the approved 3% target level throughout the next 4 years.

10.4 Earmarked reserves are forecast to reduce from £20.7m on 1st April 2020 to just £5.0m by 31st March 2025, including £1.9m in the Conditional Funding and SEROCU reserves which are not available to support general operational policing.

10.5 The Optimism Bias reserve which was created in 2018/19 with the transfer of £12m from the Improvement and Performance reserve will be fully utilised by the end of 2020/21. This reserve has been used to fund unexpected cost pressures on the Contact Management Platform (CMP) and the joint ERP solution with Surrey and Sussex (Equip). New capital schemes now include an appropriate provision for optimism bias.

10.6 For many years the Improvement and Performance reserve has been used to fund one-off expenditure items in both the revenue budget and capital programme, primarily estate issues. According to current plans this reserve will only have £2.2m at the end of 2024/25 which means that future growth proposals will have to be accommodated within the medium term financial plan and funded by council tax or offsetting savings elsewhere in the budget.

10.7 Accumulated capital grants and reserves will be fully utilised by the end of 2020/21 but should grow again in later years. However, this is a slightly false position since the Medium Term Capital Plan does not include new schemes in 2022/23 or

2023/24.

Reliability / accuracy of budget estimates

- 10.8 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.
- 10.9 The biggest area of uncertainty is around future Grant funding levels and the cost pressures from inflation and pay increases. Should the pay pause be lifted in 2022/23, but the level of grant funding remain at cash flat, then the additional pay costs will have to be funded through either council tax increases and/or additional cost savings.
- 10.10 By themselves none of the risks in Appendix 8 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 iterations of the Financial Strategy, Capital strategy and MTFP will all be updated accordingly.

Scrutiny

- 10.11 The draft budget proposals were presented to and scrutinised by the PCC at the Level 1 public meeting on 30th November.
- 10.12 The Police and Crime Panel has established a 'Budget Task and Finish Group' to review the budget proposals. This Group is due to meet on 20th January to scrutinise the budget before making recommendations to the Panel of the 29th.

Achievability and risks

- 10.13 Included at Appendix 8 is a budget risk and sensitivity analysis for 2021/22. 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.
- 10.14 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.
- 10.15 In addition, the Force continues to identify future budget savings through its ongoing Productivity Strategy, as referred to in paragraphs 7.37 to 7.42 above

- 10.16 Accordingly, the assessment of budget risks presented at Appendix 8 takes into account the mitigating factors identified above.
- 10.17 Similarly, Appendix 8A shows the risks to the medium term financial plan (2022/23 to 2024/25).
- 10.18 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.
- 10.19 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. Following the PCC elections in May the incoming PCC will publish a new Police and Crime Plan later this year
- 10.20 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) was created 3 years ago, based on HM Treasury Guidance on capital projects. However, as the separate report on Reserves and balances shows, the OB reserve is fully committed and will run out of cash by the end of 2020/21. Future schemes will include a specific provision for OB within their individual budgets.
- 10.21 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.
- 10.22 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

- 10.23 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.

The council tax referendum principles 2021/22 were published by MHCLG on 17 December 2020. For PCCs a referendum will be required if the authority sets an increase of more than £15, for a Band D property.

- 10.24 The PCC is running a short, 2-week (from 6th to 20th January) public consultation on his proposed £15 increase in council tax precept. As at 11th January 64% of respondents supported the increase

Prudential Code for Capital Finance

10.25 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

10.26 The 2021/22 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.

10.27 The provisional police settlement enables each PCC to increase the police element of council tax by up to £15 a year for a band D property in 2021/22. If utilised in full this would facilitate maintaining the current workforce levels, as well as allowing the force to invest £5.4m in additional resources, police staff and police officers, as well as the technology to improve the productivity and efficiency of their work, as set out in paragraph 7.30.

10.28 As shown in Appendix 8A 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 7.18 above, the MTFP is currently balanced in 2021/22 with variances being shown in the following years.

10.29 The PCC is reminded that his responsibility for setting the annual budget and council tax precept for 2021/22 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.

11 ALTERNATIVE COUNCIL TAX SCENARIOS

11.1 The MTFP presented today in this paper is premised on the council tax precept being increased by the full allowable value of £15. The benefits of this increase are clearly visible in being able to maintain existing staff roles, and subsequently direct the funded increase in officer numbers to priority areas of the force, enabling existing functions to be bolstered and new areas to be explored.

11.2 Additionally the full council tax investment of £15 will enable additional funds of £5.35m to be invested into long term increases in capability, and enabling the force to invest in the technology and support required to make the most of the increase in officer numbers, as laid out in Section 6 of this report

- 11.3 To maintain the status quo in current staff numbers (avoiding cuts) and enable the additional PUP officers to be deployed to new roles in the force, it is essential that the council tax precept increases by a minimum of £9.20 or 4.25%.
- 11.4 Should the PCC be minded not to increase the precept by the full £15, then an option to increase between the minimum required for the status quo of £9.20 and £15 could be considered. This would need to be directly offset by a proportionate reduction in the investment funds of £5.3m as outlined in this paper and would diminish the ability for the Chief Constable to increase capability as outlined in Section 6.

12 **CONCLUSIONS**

- 12.1 The revenue budget is balanced for 2021/22 with variances showing in future years, based on a £15 increase in precept in 2021/22 followed by 2% per annum in later years.
- 12.2 The additional PUP officers alongside the additional flexibility in the council tax precept demonstrates the government's recognition of the importance of the police service and the difficulties and challenges being experienced. This provides the PCC and the force with a one year opportunity to protect our current service and start to address some of those priority areas, where we would wish to improve our performance and the service received by our communities. The additional funding afforded by the precept flexibility provides us with the opportunity to invest now, for our future. The importance of maximising the opportunity of this year's funding is not underestimated especially with the considerable uncertainty about future funding levels, particularly the disastrous impact of Covid-19 on the national finances
- 12.3 To ensure we maximise the benefit of all of our resources, not just the additional resources set out in the MTFP today, the Force will continue 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
- 12.4 As shown above the current MTFP requires revenue savings of at £16.1m over the next four years. This is over and above the £109.2m of cash savings already removed from the base budget in the last ten years (i.e. 2010/11 to 2020/21) meaning that, over the thirteen year period in excess of £125m will have been taken out of the base revenue budget.