



Report for Decision to the Performance and Accountability Meeting on 19th January 2022

Title: Revenue Estimates 2022/23 and Medium Term Financial Plan 2022/23 to 2024/25

1 PURPOSE OF REPORT

- 1.1 This report provides information on the provisional police funding settlement for 2022/23 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 2022/23 be set at £226,130,511
- 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 2022/23 as set out in Appendix 1
- 2.5 That the police element of the council tax for 2022/23 be set at £241.28 for properties in Band D, with the charge for other bands as set out in Table 1.

Table 1 – Council tax 2022/23

Property Band	Relevant Proportion	PCC Element of the Council Tax £
A	6/9	160.85
B	7/9	187.66
C	8/9	214.47
D	9/9	241.28
E	11/9	294.90
F	13/9	348.52
G	15/9	402.13
H	18/9	482.56

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 2022.
- 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 2022 to consider the PCC's revised precept proposals for 2022/23
- 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 **SPENDING REVIEW 2021**

- 4.1 On 27 October 2021 the Chancellor of the Exchequer, Rishi Sunak MP, announced the outcome of the 2021 comprehensive spending review alongside his Autumn Budget 2021. The key headlines for Policing were:
- Home Office grant to police forces will increase above the 2021/22 baseline by £550m in 2022/23, £650m in 2034/24 and £800m in 2024/25.
 - This includes an additional £540m by 2024/25 for forces to deliver the Police Uplift Programme, ensuring forces can complete and maintain the full 20,000 officer uplift over the SR period
 - The settlement gives PCCs in England the flexibility to increase their precept income by £10 (for a Band D household) in each of the next three years
 - The settlement includes provision for the new Health and Social Care levy which increases employers NI by 1.25% with effect from April 2022
 - The public sector pay freeze will end in 2022
- 4.2 The Treasury has agreed that pension costs arising from McCloud/Sergeant and Matthews rulings will be revisited in-year and covered on top of the funding for forces set out in the Spending Review.
- 4.3 More widely, the Home Office settlement also included additional funding for the National Law Enforcement Data Programme (NLEDP) and Emergency Services Mobile Communications Project (ESMCP). ESMCP will receive £125m additional resource funding above baseline in 2022/23 (this amount then tapers over the SR period) as well as £121m capital funding over the Spending Review period.
- 4.4 There is also new funding for crime reduction programmes in each year of the Spending Review, on top of the baseline. The total investment from 2022/23 will be £150m pa to continue and expand preventative programmes including the Safer Streets Fund, County Lines Programme and Project ADDER.

5 **PROVISIONAL POLICE FINANCE SETTLEMENT 2022/23**

- 5.1 The Provisional Police Finance Settlement for 2022/23 was announced on 16 December in a written statement by the Crime and Policing Minister, Kit Malthouse. A copy of the Minister's letter to the PCC and Chief Constable is attached at Appendix 2.
- 5.2 This settlement follows the first three-year SR for several years. Despite the economic landscape improving, there are still significant difficulties within the economy. Inflation is of particular concern with CPI reaching 5.1% in November, with a forecast peak of 6% in April 2022.

Core Funding

- 5.3 The Government's Core Funding (made up of Police Grant and ex-MHCLG funding) has increased by 5.7%. When the transfer of Special Branch out of force budgets is included, the additional money for all forces amounts to an increase of £549m. This includes additional funding for the 1.25% increase in employer NI contributions with effect from 1st April 2022

Council Tax

- 5.4 All PCCs have been given flexibility to increase Band D council Tax by up to £10 in each of the next three years without triggering a referendum. Assuming full take up of the maximum flexibility, an additional £774m could be generated nationally for local policing over the next three years.

Tax Base Assumptions

- 5.5 The Home Office has inflated the previous tax base figures for England by 1.1% and Wales 0.6% (except for North Wales at 0.5%)

Reallocations

- 5.6 In 2022-23 the reallocations from police funding total £1.374bn, an increase of £340.2m over 2021/22 (£1.033bn). Primarily, this difference comes from an increase in Police Technology Programmes at £121.8m, with an additional £325m going to new programmes including Police and CJS Performance, Crime Reduction Programmes, Crime Reduction Capabilities, Rape Review, Drugs / County Lines, Capital Reallocations and Fraud.
- 5.7 A number of programmes have been dropped, with the largest being the "Strengthening the response to Organised Crime" which saw a reduction of £146.3m of funding.
- 5.8 Table 2 below shows the change in reallocations between years.

Table 2 – Reallocations and Adjustments

Police Funding	2018/19 (£m)	2019-20 (£m)	2020-21 (£m)	2021-22 (£)	2022-23 (£)	Difference from 2021- 22
Reallocations and adjustments	945	1,029	1,120.9	1,033.5	1,373.7	340.2
PFI	73	73	72.8	71.6	71.6	0.0
Police Technology Programmes	495	495	498.4	484.7	606.5	121.8
Arm's length bodies	63	63	73.1	70.5	68.7	-1.8
Police Uplift Programme			16.5	14.5	12	-2.5
National Operational Policing Units (including football policing and wildlife crime)			2.9	2.9	2.9	0
Top-ups to NCA and ROCUs (as of 2021-22, this only applies to ROCUs)	-	56	56.8	4.9	33.2	28.3
Strengthening the response to Organised Crime	42	90	140	146.3	-	-146.3
Counter Terrorism			32.4	32.5	32.5	0
Police transformation fund	175	175			-	0
National Capability Programmes			47.0	38.7	65	26.3
Forensics			28.6	25.6	25.6	0
Special Grant	93	73	80.9	54.8	62.4	7.6
Pre-charge bail	4	4	2.0	2.0	-	-2.0
Serious Violence	-	-	38.9	38.9	50.1	11.2
PRUM (Transition from EU Systems)	-	-	1.8	-	-	0
HO STAR (Science Technology & Research)	-	-	8.0	-	-	0
Blue Light Commercial	-	-	3.7	5.0	-	-5.0
Police Now			7.0	7.0	7.0	0
Safer Streets Fund			10.0	20.0	-	-20.0
Science Technology and Research				5.2	-	-5.2
International Crime Coordination Centre				5.0	-	-5.0
National Policing Capabilities (NPCC)				3.2	10.6	7.4
Police and CJS Performance*					13.0	13.0
Crime Reduction Programmes*					45.8	45.8
Crime Reduction Capabilities*					13.5	13.5
Rape Review*					12.0	12.0
Drugs / County Lines*					30.0	30.0
Capital Reallocations*					188.1	188.1
Fraud*					23.1	23.1

Figures may not add up correctly, due to rounding - * signifies this is a new category as of this settlement

Pensions Grant

- 5.9 Pensions Grant allocations remain unchanged from the figures given for the settlement in 2019-20.

National and International Capital City Grant (NICC)

- 5.10 In 2022-23 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

- 5.11 In recognition of the City of London not benefiting from the increases in precept, this year's precept grant has risen from £4.57m to £5.32m.

Capital Funding

- 5.12 Capital Funding is now included under reallocations and adjustments – see Table 1 above. Total Police Capital Funding is now worth £188.1m.
- 5.13 Annual capital grant to police forces will cease in 2022/23.

Table 2 – Home Office Capital Funding 2022/23

2022-23	£m
National Police Air Service	12.0
Arm's Length Bodies	4.0
Police Technology Programmes	157.7
Counter Terrorism	1.6
Crime Reduction Programmes and Capabilities	15.8
Total	188.1

Counter Terrorism

- 5.14 The Minister announced a total of £1.023bn for Counter Terrorism (CT) policing in 2022/23, an annual increase of £65m. This total also includes a transfer of £44m for Special Branch from core PCC budgets to the CT policing grant.

Expectations of the Sector

- 5.15 According to the statement, the Government expects PCCs to continue to take responsibility for crime outcomes both locally and nationally. The additional £150m of government funding for crime reduction funding over the next three years should allow the continuation of the existing programmes in each area, as well as some new investments to prevent crime and keep communities safe.
- 5.16 The Government will also expect to see over £100m of cashable efficiency savings

delivered from force budgets by 2024/25. For 2022/23, the government is expecting to see £80m of efficiency savings (which has been reflected in the settlement). Furthermore, the Government also want to see improvements in productivity through the use of modern technology, infrastructure and interoperable systems. Productivity improvements will be measured through the existing Efficiency in Policing Board.

6 THAMES VALLEY POLICE RESPONSE TO THE SETTLEMENT

- 6.1 The outcome of the spending review and the provisional police finance settlement are welcomed by the force as a positive direction of travel; the national support to the police service as a whole reflects the importance given by government to the essential nature of a well-developed police service, for the wellbeing of all communities.
- 6.2 The continuation of the national recruitment of an additional 20,000 officers will prove even more challenging in the final year as the impact of the current labour market conditions, with a shortage of labour resources and skills and increasing wages, draws resources away from the public sector. In addition, the rapid recruitment of these additional officers places a considerable burden on the force in relation to training and mentoring, initially there is a detrimental impact on our resourcing levels which must be managed. But this is a good challenge to have and everything possible is and will be undertaken, to ensure we can meet our new target of an increase in headcount of an additional 244 officers (including 13 for SEROCU) for 2022/23.
- 6.3 The three year settlement at last provides the service with parameters to plan realistically for the immediate and longer term strategic needs of the force. The changes and increasing demands in our communities' expectations and the crime world, require real change in how we deliver policing. We need to consider the equipment and training we provide to our officers to help keep them safe, together with and the technology and methodologies we utilise to help prevent, respond to, protect, detect and investigate crime. These changes require planning and investment over the medium term and cannot be addressed on a year-by-year basis.
- 6.4 The Council Tax flexibility of £10 for the next three years supports the opportunity to strategically plan for the future development of the force but moves the financial burden to the local council taxpayer and the decision making to the PCC.
- 6.5 The settlement also provides the necessary support to develop the essential technologies that we need nationally such as the Emergency Services Mobile Communication Project (ESMCP) and the National Law Enforcement Data Programme (NLEDS). These updated services are long overdue and support the stable delivery of our service.
- 6.6 The settlement is not just about providing additional resources for the police service but requires the service to deliver real efficiency savings, to demonstrate that the investment in policing does not detract from the considerable work which has been

undertaken over the last 10 years, to make the service more efficient and productive. We have to always consider that we are spending public money and must ensure that those resources are directed to our priority areas, as we constantly challenge ourselves to consider how we can do things better, learning from other forces and outside organisations. Within TVP we have an excellent history and process, with the Productivity Strategy, supported by chief officer engagement, to ensure we continually strive to look for and identify savings and then deliver those savings in a timely fashion.

- 6.7 The settlement provides real support for the police service but we must be realistic in that we know the demand for our services will always exceed our capacity, so we must be clear on our priorities. We are no different to any other organisation in being affected by external factors such as the labour market conditions, or supply issues. Bringing all these factors together in the MTFP is an essential step in protecting our future financial health and service delivery.

7 OVERVIEW OF MEDIUM TERM FINANCIAL PLAN

- 7.1 The financial sustainability of the force is critical to the continuation of service delivery. Decisions regarding the future development of the force will by necessity impact multiple years, whether this is increasing the capacity of the force for forensic testing or developing new facilities such as police premises. However, 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. The four year MTFP is therefore an essential component to bring together these medium term consequences and allow 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 currently formulated on the basis of a zero increase in council tax precept to show the financial impact of the operating requirements for the force to merely standstill over the coming periods. Later in this paper, the options for increases in the Council Tax precept will be explored further, against the guidance set out in the funding settlement which allows PCC's to increase the precept by up to £10 per year for a Band D property in each of the next 3 years.
- 7.3 Thames Valley Police (TVP) has been allocated an additional 231 officers from the final tranche of 8,000 officers to be delivered by 31 March 2023. The funding settlement allows for the part-year funding of these officers in the financial year (2022/23) 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 13 additional officers for the South East Regional Organised Crime Unit (SEROCU), which together with increases to the other regional forces will give the SEROCU a total increase of 39 Officers.

- 7.4 The continued increase in police numbers is welcomed by the force, but will prove challenging against the backdrop of competing demand for new recruits as all forces increase their recruitment campaigns, and the ability to ensure all the relevant training is available whilst working through a backlog of training which has occurred due to the pandemic.
- 7.5 Recruitment of not only Police Officers, but also Police Staff, is an increasing risk for the force due to the operational impact if resources cannot be maintained at the required levels and the problematic nature of the labour market at the current time. In addition, any variation against the plans can have a significant impact on the forces budgets and financial projections.
- 7.6 The rapid deployment of technology over the past 2 years to support the change in working patterns now has to be embedded into the culture and finances of the force, with regular refreshes of hardware and investment in software to ensure that security and availability to staff is maximised to deliver the services required and facilitate future savings.
- 7.7 Financial provision is included within the MTFP to support the Medium Term Capital Programme (MTCP) in the knowledge of the declining capital reserves, finite capital receipts and no future expectation of capital grant. The MTCP is essential to support service delivery of the PCC's Police and Criminal Justice Plan and the Force Strategic Plan by providing the Force infrastructure and major assets through capital investment, enabling the Force to strengthen and streamline core assets and systems, and providing the framework for delivering innovative policing with a lower resource profile.
- 7.8 The current draft summary position of the revenue budget is shown in Table 3 below:

Table 3 - Summary of Draft MTFP

Current Estimate for 2022/23 Budget	Current Estimate for 2023/24 Budget	Current Estimate for 2024/25 Budget	Current Estimate for 2025/26 Budget
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Expenditure	£'000	£'000	£'000	£'000
Opening Budget	475,892	499,530	514,231	525,136
Inflation				
General	1,569	1,161	890	806
Pay	10,712	12,778	11,277	10,874
Specific	2,439	2,545	2,543	2,619
Productivity Savings	-2,194	-5,253	-5,650	-3,250
Growth				
Committed & Reserves	6,650	3,443	1,442	0
Essential	4,462	27	403	53
Revised Budget Requirement	499,530	514,231	525,136	536,238
Funded By				
Opening Budget	-475,892	-495,197	-502,505	-511,383
Council Tax	-4,880	-4,341	-4,428	-4,516
Government Grants	-14,425	-2,967	-4,450	0
PUP Funding	0	0	0	0
Revised Funding Budget	-495,197	-502,505	-511,383	-515,899
Annual Shortfall/(Surplus)	4,333	7,393	2,027	6,586
Cumulative Shortfall/(Surplus)	4,333	11,726	13,753	20,339

- 7.9 As can be seen, there are currently shortfalls in all 4 years of the plan, on the assumption of a zero increase in the council tax precept. Hence, without any increase to council tax levels, the current level of service cannot be maintained and sizable reductions/cuts to service levels would be required. Clearly, no improvements to service levels could be delivered.
- 7.10 The peak increase in the shortfall for year 2 is down to two key reasons. Firstly, the reinstated pay awards are only for a part year in year 1 (2022/23), with the full year effect and additional award falling in year 2 (2023/24), hence a bigger commitment in year 2. Additionally, whilst the Police Uplift Programme (PUP) additional officers will be recruited in year 1, we only anticipate on average half of their costs will fall in this year. This is compounded further by the expectation that funding in year 1 will be for 70% of total costs, hence the misalignment between year 1 and 2.
- 7.11 It should also be noted that whilst we have provided a four year plan, the current CSR announcements only covers the first three years and, as such, year 4 grant increases are as yet unknown and are showing as £0, hence the year 4 predictions are based on extremely pessimistic assumptions.
- 7.12 Should the council tax precept be set at £10 per year for the next three years as outlined in the funding settlement, then the below additional funding would be

available to offset the shortfalls and allow for some investment in service delivery:

	2022/23 £'000	2023/24 £'000	2024/25 £'000	Totals £'000
Calculated MTFP Shortfall with No Council Tax Precept	£4,333	£7,393	£2,027	£13,753
Council Tax Growth @ £10	-£9,385	-£9,760	-£10,147	-£29,292
	£10	£10	£10	
	4.32%	4.14%	3.98%	
Balance	-£5,052	-£2,367	-£8,120	-£15,540
<i>Prioritised Investment Requirements</i>	£5,866	£3,767	£3,196	£12,829

The investment and council tax precept options are explored further in section 9 below.

Budget Preparation

- 7.13 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.
- 7.14 The budget options presented today aim to support the delivery of the PCC priorities
- Strong Local Policing
 - Fighting Serious Organised Crime
 - Fighting Cyber Crime and Fraud
 - Improving the Criminal Justice System
 - Tackling Illegal Encampments

and force priorities :

- Reduce crime & incidents
 - Bring more Criminals to Justice
 - Protect the vulnerable
 - Improve satisfaction among victims
 - Value our workforce
 - Use our resources wisely
 - Maximise benefits of digital technologies
- 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 Criminal Justice 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 is applied at 4.0%; 2.6%; 2.1% and 2.0% respectively in each of the next 4 years;
 - Specific inflation rates are based on sector led rates, e.g. Premises and ICT at 3.6%, Gas at 7.0%, Electricity at 4.5% and Forensics at 5.0% per annum;
 - Pay inflation has been included at a base rate of 3.0% in 2022/23 for both Police Officers and Staff, tapering down to 2.0% over the following 3 years;
 - The increase in Council tax precept is initially set at 0.0% per annum, but options later in the report will look at how this can be utilised at varying levels;
 - Council tax billing base is to increase by 2.0% in each of the 4 years;
 - Main Government Grants will increase by £16.2m in 2022/23; £2.97m in 2023/24 and £4.45m in 2024/25, based on estimates of total funding being applied to policing over the next 3 years from the budget statement;
 - The funding for PUP increases and the Increase in NI for the Health & Social Care levy are included within the Grant Uplifts stated above;
 - A reduction of £1.76m from main grant will be made and transferred to Counter Terrorism Policing South East (CTPSE) for the management of the Special Branch capability.
 - 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 strategic assets will need to be funded by revenue, given the finite nature of reserves and capital receipts.
- 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 no specific capital grant. The provision within the MTFP for the direct funding of capital

has increased to provide an annual fund of £13m from 2022/23; this is seen as a sensible approach to secure 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 has been included at 4.0% for 2022/23 based on the budget statement, tapering down over the following years to 2.0%. This has added £1.6m to the budget for 2022/23, with a further £2.9m over the following 3 years.
- 7.22 Pay awards have been set at 3.0% in 2022/23 for both police officers and staff, plus allowances for increments (net of wastage) which will add £10.7m in 2022/23 and a further £34.9m over the following 3 years, as rates are tapered down to 2.0%. (The 3% is a risk given the current economic conditions, and as such a reserve entry for an additional 0.5% increase in 2022/23 has been included in the MTFP).
- 7.23 In addition to these increases in general and pay inflation, specific inflationary increases for the likes of the facilities, services contract, energy, fleet and ICT have also added additional pressures to the base budget of £2.4m in 2022/23 and a further 7.7m in the following 3 years.
- 7.24 Overall inflation for 2022/23 adds £14.7m (average rate of 3.1%) to the annual budget, a further £16.5m in 2023/24 (average rate of 3.3%), £14.7m in 2024/25 (average rate of 2.9%) and £14.3m in 2025/26 (average rate of 2.7%).

Committed & Statutory Growth

- 7.25 This section deals with those items within the budget, which the PCC is committed to by means of previous decisions taken, national agreements and/or statutory payments.
- 7.26 The main significant changes that have occurred in this section for the 2022/23 period include:
- Prior year adjustments to reflect one-off and funded items in previous years.
 - Expenditure and growth in relation to the national Police Uplift Programme (PUP) officers, including £0.906m for the ROCU Officer growth.
 - The Health and Social Care levy has been included on NI at circa £2.7m, which is deemed to be covered by the general grant increase
 - Interest Receipts have been reduced in line with current levels and forward predictions by £0.186m
 - From 2022/23 the Special Branch Funding will be top sliced from the TVP grant, and as such the corresponding spend has also been removed at circa £2.0m
 - The inclusion of funding to finance the body armour replacement programme (£0.15m per annum)
- 7.27 Further details are provided at Appendix 4.

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 and infrastructure within Thames Valley. The main significant changes for 2022/23 cover:

- **Upgrade and Refresh Key ICT Infrastructure** - Work to upgrade and refresh key elements of the forces ICT infrastructure in order to ensure security is maximised and operational delivery of ICT systems remains stable and available at the point of service requirement.
- **ICT - System Upgrades and Development Programme** - Programme of work to upgrade core systems to the latest versions, maximising security of the systems and utilising new functionality in support of operational policing and frontline delivery.
- **Data Quality Development** - Investment in technology and tools to ensure that the quality of data is maintained within our various data repositories, and that access to that data is easily obtainable and delivered in a useable and robust format.
- **Officer Operational Safety** - Investment in key safety equipment and training requirements to meet national standards and ensure all officers can deploy safely to all operational demands.
- **Smarter Ways of Working** - Investment in technology and equipment to embrace new ways of working, taking account of officers and staff wellbeing as well as optimising the delivery of services in the most efficient way.

7.29 Further details are provided at Appendix 4.

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. The investment in this area will be dependent on the decision to increase the council tax precept and by what level.

7.31 The investment options are covered later in the paper against the potential options for the council tax precept increases.

Reserve Funded Including Support & Infrastructure

7.32 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 planned to be funded from reserves albeit they will be considered during the year.

7.33 Further details are provided at Appendix 4.

Funded By

7.34 The 2022/23 settlement provided a net increase in main grants of £14.43m (after the top slicing of special Branch at £1.75m), together with an increase in special grant for the PUP Officer increase and additional Officers for the Regional Organised Crime Unit of £1.1m, giving a total increase in funding of £15.53m.

7.35 The additional funding is primarily for the increase in PUP officers of 244 FTE (including 13 for SEROCU), together with an increase to cover the new Health and Social Care levy, estimated to be circa £2.7m. The broader 3 year CSR also indicated that funding in future years would increase by £3.0m in 2023/24, and £4.5m in 2024/25, although these are yet to be confirmed in detail.

7.36 The MTFP does not currently include an increase in the Council Tax Precept as this will be reviewed directly against the potential for investment opportunities later in the report.

7.37 The increase in the Council Tax Base (i.e. number of households paying council tax) has been set at 2.0% per annum, together with an expected surplus on collection funds of £1m per annum

Force Productivity Strategy

7.38 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 £112.7m have been removed from base revenue budgets over the last 11 years (i.e. 2010/11 to 2021/22), however it is becoming more and more difficult to identify and deliver true efficiency savings as opposed to cuts.

7.39 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.

7.40 To continue the focus on productivity and efficiency a new piece of work is underway utilising the national value for money profiles to identify potential areas where there may be opportunities for us to reduce costs and bring ourselves in line with other forces. The use of benchmarking is only one piece of information and these results need to be considered by the professional leads and also alongside other programmes of work and changes already underway in TVP.

- 7.41 The savings incorporated within the MTFP are those initially rated as green or amber in relation to the risk and work required to implement. The savings identified for 2022/23 have been scrutinised and are felt to be safe in their delivery, however as the years progress the risks increase and not all the savings may deliver as required.
- 7.42 A copy of the full Productivity Strategy is attached at Appendix 5.

8 **ESTABLISHMENT CHANGES**

Full Time Equivalent (FTE's) vs Headcount (background information).

- 8.1 The force both operationally and financially refer to FTE's the equivalent number of 40 hour per week officers or 37 hour per week members of staff. Headcount refers to the physical number of individuals regardless of the number of hours they work. For the purpose of the Police Uplift Programme the Home Office refer to headcount which, for new recruits, is the same as FTE's as all new officers start on a full time 40 hour per week contract. However, over the course of their career officers may reduce their number of working hours hence becoming less than 1 FTE, or they may transfer to regional units where they are not fully TVP funded or deployable. Hence when looking at the total workforce there is a material difference between headcount and FTE's.

Establishment changes

- 8.2 The Police Uplift Programme, the national drive to increase the headcount of police numbers by 20,000 across the service, has seen TVP receive funding for an additional 183 officers in 2020/21, 174 officers in 2021/22, and a further increase of 231 officers in 2022/23, a total of 588 additional officers.
- 8.3 This growth in police numbers is a massive boost for the force, although it only just mitigates the reductions in officer numbers over the last ten years which should be viewed in light of the significant increases in demand for our services, it is very welcomed. This uplift in numbers is giving us a real opportunity to review our workforce mix, which has in the past been partly driven by the ability to recruit officers and the financial implications. The Home Office drive to increase numbers and ensure a real uplift in headcount does however place restrictions on the force in relation to reducing officer numbers through efficiency improvements.
- 8.4 The main threat to attaining these additional officers is the level of attrition currently being experienced and the potential for this to carry on into the next financial year. Currently we are predicting that for 2022/23 we will need to recruit just under 400 full time officers to maintain the establishment, plus the additional 231 officers growth, giving total recruitment of around 631 officers in the year.
- 8.5 Should we attain the full recruitment then the overall full time equivalent officer establishment for TVP (excluding Regional activities) will increase from 4,143 FTE to 4,377 FTE; a 5.6% increase in establishment.

Table 4 – Officer & Staff Establishments

	Police FTE	Staff FTE	PCSOs FTE	Total FTE
Establishment at March 2022	4,143	2,973	410	7,526
Reallocated CTPSE PUP	3	-	-	3
PUP Growth	231	-	-	231
Productivity Savings	-	(26)	-	(26)
Estimated Establishment at March 2023	4,377	2,947	410	7,734

9 PRECEPT FUNDING WITH INVESTMENT OPTIONS

- 9.1 Whilst there remains a lot of uncertainty around inflation increases and pay awards, the MTFP presented today provides our best judgement of the position as it currently stands.
- 9.2 There is a close relationship between the 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 Criminal Justice Plan and the Force Strategic Plan.
- 9.3 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.
- 9.4 Over the past few months, the force has been going through its annual planning process, whereby all areas of the force are required to consider the current and future demands on their service areas and identify any shortfalls or gaps and how these can be addressed. This process unsurprisingly produces a large number of requests/bids to enable service development or improvement in all areas of the force.
- 9.5 All of these bids have all been reviewed by Chief Officers and those supported as a priority by the relevant chief officer, have been scored in relative importance of need to undertake, and the benefits that will be derived from the additional investment. The result of this exercise is a significant number of bids which are supported by the professional lead and the force, as providing significant benefit to the service. These bids have then been categorised against the PCC priorities they support.
- 9.6 In addition to the specific bids, there are three key long term investment themes that the force has identified as a core requirement to enable the force to meet its demands and equip officers to undertake their roles with the right equipment into the future. These three areas include:

- To have a rolling increase in officer numbers to match the expected increase in demand based on population growth within the Thames Valley, year on year. The programme will start in year 2 of the MTFP (2023/24) with total growth over the period of an additional 75 FTE officers at a cost of £4.2m. This will aid all priorities but especially avoiding reducing any reduction to Local Policing at the cost of other areas.
- Long-term strategic investment in delivering the quantity and quality of forensic services needed for modern day policing within a fully accredited and purpose developed environment. A five-year investment programme totalling £19.9m. Forensics Science is critical to all aspects of policing not least identifying more perpetrators and bringing them to justice.
- To refresh and equip the majority of front line officers with Taser technology, and upgrade older devices to the latest models over the next 5 years. A five-year investment programme starting from year 2 of the MTFP totalling £6.6m. The safety of the public and our officers by apprehending offenders is paramount to all our priorities.

9.7 As can be seen from Appendix 1 and the summary MTFP at Table 3, there is currently a predicted shortfall in 2022/23 of £4.3m, which represents the minimum requirements needed to sustain the current levels of service, before the inclusion of any new investment growth.

9.8 From a planning perspective, there are potentially 3 key options in relation to any increase in council tax precept and subsequent investment in services;

- **Option 1** – do nothing, do not increase the council tax precept and maintain it at 2021/22 levels. This would leave the current MTFP with a £4.3m deficit in 2022/23 and would require the force to review and make direct cuts to budgets and services in order to provide for a balanced budget. Due to the timing of the required cuts, these would need to be made in areas such as stripping back overtime, and potentially utilising reserves until the future productivity work (referred to in section 7.40) can deliver more sustainable cuts to both the budgets and service delivery. Depending on future years decisions the position will get increasingly worse, with the reductions to services compounded by the lack of investment in new technologies and capacity, the impact on service delivery and performance will escalate.
- **Option 2** – Increase the council tax precept by 2.00% (average Band D £4.62) which would generate additional funding of £4.3m to cover the identified shortfall and enable the force to continue to operate without additional cuts, but also without any development or investment in the future policing of the Thames Valley. This will not allow the force to address increasing demands or take advantage of new technologies and services to improve performance. Depending on future years decisions the gap between service delivery and performance and expectations (both locally and nationally) will widen.

- **Option 3 (Recommended Option)** – Increase the council tax precept by the full £10, as permitted in the provisional Policing Funding Settlement 2022/23, which would be a 4.32% increase generating additional funding of £9.4m which would cover the identified shortfall and also allow £5.1m (1.02%) of investment in policing services. This will allow the PCC to deliver against his Police and Criminal Justice Plan priorities and take full advantage of the opportunities provided by the Police Funding settlement to start to invest for the future service delivery and performance given the increasing complexity and demands facing the service.

9.9 The following table shows the impacts on the 2022/23 annual budget:

Table 5 – Impact of Council Tax Precept Options

	Option 1 £'000	Option 2 £'000	Option 3 £'000
Current MTFP Estimated Shortfall	£4,333	£4,333	£4,333
Council Tax Precept £	£0.00	£4.62	£10.00
Council Tax Precept %	0.00%	2.00%	4.32%
C Tax Uplift	£0	-£4,333	-£9,385
<i>Total Investment Funding Available</i>	<i>£4,333</i>	<i>£0</i>	<i>-£5,052</i>
Service Cuts	-£4,333	£0	£0
Forensic Improvement Strategy	£0	£0	£3,447
Taser Uplift Programme (Starts Year 2)	£0	£0	£0
Rolling Increase in Officers (Starts Year 2)	£0	£0	£0
<i>Total Available for Investment in Specific Bids</i>	<i>£0</i>	<i>£0</i>	<i>-£1,605</i>
<i>Prioritised Investment Areas:</i>			
Strong Local Policing			£454
Strong Local Policing; Improving the Criminal Justice System;			£920
Strong Local Policing; Improving the Criminal Justice System; Serious Organised Crime			£66
Strong Local Policing; Serious Organised Crime			£105
Improving the Criminal Justice System			£874
Activities to be Scoped to Defer to later years			-£814
Variance to Funding	£0	£0	£0
<i>Reserve Growth Items – Improving the Criminal Justice System</i>			<i>£583</i>

9.10 The prioritised requirements have been categorised according to the PCC priorities

they support, to help illustrate where the benefits will be realised. As is indicated above many of the investments will support more than one of the priorities, which reflects the integrated nature of policing. There is also a small amount of bids identified as reserve items. These are high priority bids which could be developed in 2022/23 or 2023/24 depending on the funding available during the year, although the delay in investment would clearly delay the delivery of benefits. Appendix 6 provides further details.

- 9.11 The prioritised investment requirements exceed the current funding forecast at this time, including the full council tax uplift. If full approval is given then the planning and implementation work will include identifying activities which can be deferred until the following year. As the detail of the projects are worked through it is realistic to expect some variation in costings and timings to be identified.
- 9.12 In supporting the above, there would still be approximately 30 bids that are unfunded out of the approved priority list of 75 bids supported by Chief Officers, i.e. this does not include those bids rejected by Chief Officers before the prioritisation process.
- 9.13 It should also be noted that the above table only shows the impacts on the year 1 budget, whereas some of the initiatives are multi year. The table below shows the impact in each of the next 3 years of the plan based on the full council tax precept rise of £10 in each of those years.

Table 6 – Three Year Impact of Precept Rise at £10

	2022/23 £'000	2023/24 £'000	2024/25 £'000	Totals £'000
Calculated MTFP Shortfall with No Council Tax Precept	£4,333	£7,393	£2,027	£13,753
Council Tax Growth @ £10	-£9,385	-£9,760	-£10,147	-£29,292
	£10.00	£10.00	£10.00	
	4.32%	4.14%	3.98%	
Balance	-£5,052	-£2,367	-£8,120	-£15,540
Forensics Improvement Programme	£3,447	£2	£1,092	£4,541
Rolling Uplift Of Officers	£0	£705	£705	£1,410
Taser Refresh & Uplift Programme	£0	£922	£191	£1,113
Prioritised Investment Requirements	£2,419	£2,139	£1,207	£5,765
Total Investment Opportunities	£5,866	£3,767	£3,196	£12,829
Annual Deficit/(Surplus)	£814	£1,400	-£4,924	-£2,710

- 9.14 As can be seen from the above, over the next three years, the full investment through council tax would allow the funding of the current prioritised strategic plans and growth, together with a small amount of circa £2.7m for, at this time,

unforeseen demands not identified in these plans for the next three years.

10 **IMPACT ON COUNCIL TAX**

- 10.1 The PCC will receive police grant of £173.4m, ex-DCLG formula grant of £88.4m and legacy council tax grants of £15.3m in 2022/23. These levels of grant income are determined independent of the PCC's planned spending budget for the year.

Surplus on Collection Funds

- 10.2 It is currently estimated that, based on provisional council tax data, the PCC will receive approximately £1m as its share of the net surplus on the billing authorities' Collection Funds, details of which are provided in Appendix 7

Funding the 2022/23 Revenue Budget

- 10.3 Table 7 shows how the 2022/23 revenue budget will be funded, based on the recommended Council Tax precept increase of £10, assuming a 2% increase in taxbase and a surplus on collection funds of £1m.

Table 7: Revenue Funding 2022/23

	£m	%
Police grant	173.4	34
Ex-DCLG formula grant	88.4	18
<i>Total formula grant</i>	<i>261.8</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

- 10.4 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.
- 10.5 In total, the provisional estimate of the 2022/23 taxbase for the PCC is 937,312 Band D equivalent properties, as Appendix 8 illustrates. This represents an annual increase of 17,215 properties or 1.87%.

Band D Council Tax

- 10.6 The band D council tax proposed for 2022/23 is £241.28, an increase of £10.00 or 4.32% on the comparable figure for 2021/22

- 10.7 As shown in Appendix 9 our current 2021/22 band D council tax of £231.28 is below the English national average of £237.25. The appendix also shows that TVP is significantly below average in terms of net cost per head of population when compared to other forces (£194.69 compared to £205.82). 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

- 10.8 On 23rd December the PCC launched a short 4-week public consultation on council tax and policing priorities. The consultation was launched via:
- 1 x TVP Alert (approximately 87,200 members) sent 23rd December
 - 2 x OPCC e-newsletters (1,672 members of the general public) with a final 'one day to go' reminder newsletter to be sent Monday 17th January
 - 2 x Councillor/ Parish council e-newsletters (1,333 recipients) with a final 'one day to go' reminder newsletter to be sent Monday 17th January
 - 1 x press release sent to all Thames Valley based journalists
 - Ongoing promotion via social media – Facebook launch (6,661 reached) and Twitter launch (829 reached)
- 10.9 As at 12th January, 1,894 members of the public had responded to the survey of which 1,328 (70.1%) supported an increase of £10 per year for a band D property, 465 (24.6% said no, and 101 (5.3%) answered don't know

11 LOCAL GOVERNMENT ACT 2003 – Section 25 report

Robustness of estimates and adequacy of reserves

- 11.1 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

- 11.2 A separate agenda item shows the latest position on reserves, balances and provisions.
- 11.3 Based on current planning assumptions general revenue balances will stay above the approved 3% target level throughout the next 4 years.
- 11.4 Earmarked reserves are forecast to reduce from £20.7m on 1st April 2021 to around £10.4m by 31st March 2025, including £1.8m in the Conditional Funding and SEROCU reserves which are not available to support general operational policing.
- 11.5 The Optimism Bias reserve which was created in 2018/19 with the transfer of £12m

from the Improvement and Performance reserve has been utilised to fund unexpected cost pressures on the Contact Management Platform (CMP) and the aborted ERP solution with Surrey and Sussex (Equip). New capital schemes now include an appropriate provision for optimism bias.

- 11.6 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 fall from £8.9m on 31st March 2021 to around £4.2m at the end of 2023/24. This is on the assumption that the reserve will reduce as business cases for one-off investment are produced and approved during each financial year, over the current MTFP period. In previous years a more detailed timeline was included but each year this has had to be re-evaluated during the year, hence this is now included at a high level at this point in time.
- 11.7 Accumulated capital grants and reserves are forecast to remain above £11m throughout the next four years primarily due to the significant amount of capital receipts to be generated from the sale of finite assets. This situation will need to be kept under review in future years as and when new capital schemes are brought in to the Medium Term Capital Plan but it is not an area of concern at the current time.

Reliability / accuracy of budget estimates

- 11.8 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.
- 11.9 The biggest area of uncertainty is around future pay inflation increases. The pay award for 2022/23 will not be known until the summer so a 0.5% reserve provision has been made to help mitigate any increase above the budgeted level. At this time we do not know if the pay award will be a single year award or multiple years. Clearly, we will reassess our estimates when this information is available.
- 11.10 By themselves none of the risks in Appendix 10 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

- 11.11 The draft budget proposals were presented to and scrutinised by the PCC at his public Performance and Accountability public meeting on 26th November.
- 11.12 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 19th January to scrutinise the budget before making recommendations to the Panel of the 28th.

Achievability and risks

- 11.13 Included at Appendix 9 is a budget risk and sensitivity analysis for 2022/23. 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 4, with 1 being low likelihood / impact) on the PCC's budget. The final column provides a sensitivity analysis, where appropriate.
- 11.14 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.
- 11.15 In addition, the Force continues to identify future budget savings through its ongoing Productivity Strategy, as referred to in paragraphs 7.38 to 7.42 above.
- 11.16 Accordingly, the assessment of budget risks presented at Appendix 8 takes into account the mitigating factors identified above.
- 11.17 Similarly, Appendix 9A shows the risks to the medium term financial plan (2023/24 to 2025/26).
- 11.18 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.
- 11.19 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 Criminal Justice Plan 2021-2025.
- 11.20 All capital schemes now include an appropriate provision for Optimism Bias within their individual budgets.
- 11.21 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.
- 11.22 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

- 11.23 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.
- 11.24 The council tax referendum principles 2022/23 were published by MHCLG on 17 December 2021. For PCCs a referendum will be required if the authority sets an increase of more than £10 for a Band D property.
- 11.25 The PCC is running a short, 4-week (from 23rd December to 18th January) public consultation on the level of council tax precept. As at 12th January 70% of respondents supported a £10 increase

Prudential Code for Capital Finance

- 11.26 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.

CIPFA Financial Management Code of Practice

- 11.27 The primary objective of the new CIPFA Financial Management (FM) Code is to enhance standards of financial management across the public sector, with implementation during 2021/22. On 19 March 2021, a high-level self-assessment against the FM Code requirements was presented to the Joint Independent Audit Committee (JIAC). Although this identified a number of Areas for Improvement, there were no critical issues that needed to be addressed as a matter of urgency.
- 11.28 In December 2021, CIPFA published a financial resilience self-assessment toolkit for policing. We will complete this self-assessment and present the results to JIAC on 18 March, together with an update on the FM Code compliance. I am not expecting this self-assessment to highlight any urgent or critical issues that will require urgent remediation.

Section 25 report - Conclusion

- 11.29 The 2022/23 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.
- 11.30 The provisional police settlement enables each PCC to increase the police element of council tax by up to £10 for a band D property in each of the next 3 years i.e. 2022/23 through to 2024/25. This report provides three options for the PCC to

consider i.e. no increase in council, funding committed growth items only, or increasing council tax by the full £10 to provide additional investment for operational policing.

- 11.31 Option 1 will require material cuts and/or the use of reserves whereas options 2 + 3 will result in a balanced budget position for 2022/23 but option 3 (i.e. increasing Band D council tax by £10) will increase financial resilience and sustainability in 2022/23 and later years
- 11.32 As shown in Appendix 9 there are a number of risks to the MTFP, most notably that the Force fails to recruit and retain the additional 231 police officers allocated to TVP, plus 13 for SEROCU, as part of the National Police Uplift Programme (PUP) and therefore loses a proportion of its annual grant. 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 next 12 months.
- 11.33 The PCC is reminded that his responsibility for setting the annual budget and council tax precept for 2022/23 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.

12 **Report Conclusion & Recommendations**

- 12.1 This is financially a significant year for TVP in that we have been given the opportunity to realistically plan for the current and future requirements of the force, to start to address the increasing demands and expectations, by increasing our capacity and taking advantage of new technologies. This will place us in a good position to provide the level of service and performance that can realistically be expected by our communities and nationally.
- 12.2 It is also significant that the PCC has been given the responsibility to determine the total funding available to the force for the next 3 years and hence the strategic direction of the force. Although the decision today is in relation to the budget and council tax for 2022/23 it is clear that the operational and financial stability of the force require continued financial security. This is illustrated by the level of budget deficit in 2022/23 and later years should council tax not be increased.
- 12.3 We still face considerable capacity and financial challenges so improving future productivity and efficiency is going to be key. For example investing in our Forensic technical services will increase our capability and capacity in this vital area, whereas the continued investment in our technological estate to facilitate remote working is enabling us to strategically re-think our physical estate requirements with significant savings now realistically achievable in the future.

- 12.4 Our continued focus on the productivity strategy and the ongoing work to identify new areas to reconsider how and what we do will not only meet the HO requirements, but will ensure we continue to focus the maximum level of resources on our priorities.
- 12.5 The recommendation today is therefore to support the future strategic objectives of TVP by increasing Band D council tax by the full £10 for 2022/23