

## **Police and Crime Commissioner for Surrey – Decision Making Record**

**Report Title:** Approval of the Council Tax Precept, Revenue and Capital Budgets for 2021/22  
**Decision number:** 009/2021  
**Author and Job Role:** Kelvin Menon, OPCC Surrey Treasurer  
**Protective Marking:** OFFICIAL

### **Executive Summary:**

On the 5<sup>th</sup> February 2021 the Police and Crime Panel agreed the proposal of the Police and Crime Commissioner for Surrey to issue a band D council tax precept for the Surrey area of £285.57. There are statutory requirements for the Commissioner to calculate the budget requirements and formally issue a precept for the financial year and this report meets those requirements.

In addition it is the responsibility of the Police and Crime Commissioner to set the Revenue and Capital Budgets for the year and this report also meets those requirements

### **Background**

A report is attached to this decision notice

### **Recommendation:**

As set out on the attached report it is recommended that the Police and Crime Commissioner for Surrey approves:

- The proposed revenue and capital budget 2021/22;
- The calculations of council tax in 2021/22 in accordance with sections 43, 44 and 47 of the Local Government Finance Act 1992, as amended;
- The council tax precept of £285.57 for band D to be issued in 2021/22;

### **Police and Crime Commissioner Approval**

I approve the recommendation(s):

Signature: David Munro (wet signature available on hard copy)

Date: 22/02/2021

All decisions must be added to the decision register.

# **The Police and Crime Commissioner for Surrey**

## **Approval of the Council Tax Precept and Revenue and Capital Budgets 2021/22**

### **Report by Kelvin Menon, Treasurer to the Police and Crime Commissioner for Surrey**

#### **Purpose of the Report**

1. The purpose of this report is to request the Police and Crime Commissioner for Surrey (the PCC) to approve the revenue budget, capital programme and precept for the financial year 2021/22 and issue a demand to the billing authorities as a major precepting authority.

#### **Background**

2. The Local Government Finance Act 1992, as amended by the Localism Act 2011 sets out the requirements for the Commissioner to consider council tax calculations by major precepting authorities.
3. This report sets out the proposed revenue budget and capital programme for 2021/22, together with a review of the current year's budget position to allow a budget and council tax to be approved in accordance with legislative requirements.
4. In preparing the Revenue and Capital Budgets for 2021/22 the PCC has considered the following issues:
  - The financial settlement from Government to the Police for 2021/22;
  - The recommendations of the of the Police and Crime Panel in respect of Council Tax;
  - The key principles underlying the four-year Medium Term Financial Strategy 2021/22 – 2023/24 (MTFS);
  - The likely revenue and capital outturn for 2020/21;
  - The efficiencies to be made in 2021/22;
  - Delivery of the Police and Crime Plan;
  - Planned investments;
  - The options for the council tax precept;
  - Reserves;
  - Risk associated with the budget for 2021/22 and

#### **Where we have come from**

5. In 2016/17 the MTFS published by the Force showed that savings for the 4 years to 2020/21. This showed that in those next 5 years total savings of £24.7m would be required and that the gross budget at the end of 2021/22 would be to £216m. Over the next 2 years officer numbers fell 1,944 to 1,874 as a result of cuts however taking advantage of permission to increase precepts above inflation number began to rise again to an establishment figure of 2,022. The budget has also risen to £250m in the same period. However due to Surrey having the lowest Government

Grant per head in the country this has only been possible by Surrey Council Tax payers paying an increasingly larger proportion of policing costs.

6. The 2020/21 settlement enabled further investment as follows:
  - Recruiting an additional 105 Police officers and 87 specialist staff to strengthen preventative policing;
  - Secure a site for our new headquarters to deliver a modern, efficient, purpose built facility which will reduce costs and carbon emission
  - Invest in technology, such as STORM, to enable greater collaboration and interoperability with Sussex police in terms of resilience and resource deployment.
7. The Force has also coped with the financial implications of Covid be that the cost of PPE and staff overtime as well as lost income from events and training. Whilst the Government has reimbursed a significant proportion of these costs, around £3.2m so far, costs still fell on the Force budget which has had to be absorbed and these costs look set to continue.

### **Where are we now**

8. The Government is determined to continue to strengthen the police service to tackle serious violence as well as increase the number of specialist officers tackling terrorism and serious organised crime including drug trafficking and child sexual abuse.
9. It has undertaken to continue with the investment to deliver 20,000 officers by 2023 of which 6,000 have already been delivered and 6,000 more are planned for 2021/22.
10. The 2021/22 settlement announced on the 17<sup>th</sup> December 2020 by the Home Secretary Pritti Patel who said:

*“We have asked more of the police than ever before during the coronavirus pandemic – the British people and I are extremely grateful for their dedication. I am absolutely committed to giving the police the resources they need – this funding package delivers on that. It will allow us to continue to put more police on the streets, and reduce crime as we build back safer from the pandemic”*
11. The settlement, which was only for 1 year rather than 3 as anticipated, increased Police funding nationally by £703m to bring total funding to £15.8bn. This was made up of £415m for new officers under the uplift program and £288m on the assumption that all PCCs would increase their precepts by £15 – the maximum permitted without a referendum. Other than the grant for new officers all other grants to individual Police forces were frozen.
12. However the ability to increase the precept by £15 has given the as a result of the Chief Constable the opportunity to propose a £4.1m precept investment plan, after taking account of all other cost pressures, to strengthen policing in Surrey.

## **Chief Constable's Investment Plan**

13. In the context of the 2021/22 national policing settlement and the £15 precept increase, the Chief Constable has presented a compelling investment case for the additional £4.1m that will allow Surrey Police to meet more demand and accelerate their recruitment plans by paying for an additional 10 officers (Above the 73 paid for by Government) and 67 operational support staff.
14. The Chief Constable's plan, which the PCC is supporting, is prioritising investment in six areas as follows:
  - A new team of officers focused on reducing the most serious accidents on our roads;
  - A dedicated rural crime team to tackle and prevent issues in the county's rural communities
  - More police staff focused on assisting local investigations, such as interviewing suspects, to allow police officers to stay out visible in communities
  - Trained intelligence gathering and research analysts to gather information on criminal gangs operating in Surrey and help target those causing the most harm in our communities
  - More police staff focused on engaging with the public and making it easier to contact Surrey Police
  - Funding to provide key support for victims of crime - in particular services to prevent domestic violence, stalking and child abuse.
15. The PCC has scrutinised the Chief Constable's investment case. By raising the precept this year by £15, the PCC will be able to provide the Chief Constable with the resources to continue to strengthen the police force in Surrey.
16. Further details of the investment requirement can be found in the 5<sup>th</sup> February 2021 Police and Crime Panel Precept paper.

## **Listening to the Public**

17. During the year the PCC has undertaken various types of consultation, albeit within the Covid restrictions, to ascertain what the public what Police priorities to be. These now form the basis of the priorities that the PCC has given to the Chief Constable and are:
  - a) More police officers and frontline staff
  - b) Better crime prevention
  - c) More crimes solved
18. The PCC has also undertaken an online consultation on his proposed precept of £15 and the investment that this can deliver and this is covered later in this paper.

## **Overall Financial Picture and Four Year Plan**

19. The MTFFS sets out the financial context for the revenue budget, capital programme and precept for the next financial year 2021/22 and estimates for a further three financial years.
20. It brings together all resources including grant, precept, fees and charges, income for special policing and use of reserves and capital.
21. This sets out that the plans are affordable over the four financial years. It also addresses risk. The MTFFS covers four years however as the settlement from Government was only for one year there is a lot of uncertainty around years 2 to 4.
22. Despite the future uncertainty a Financial Forecast has been prepared on the basis of a number of key assumptions. These are set in more detail in the Appendix E but the main ones are:
  - No increase in Government funding except for uplift;
  - Council Tax rises capped at 2%
  - Pay and general inflation 2%
  - No change in cost base
23. The Financial Forecast (Appendix C) shows that there will almost certainly be an ongoing need for future financial savings on top of those already achieved. Whilst the forecast itself predicts that these could be £17.4m over the 3 years from 2022/23 the specific amount will depend on circumstances at the time. However there is no doubt that savings will be required – it is only the quantum that is in doubt.

## **Police Financial Settlement 2021/22**

24. The Police financial settlement was announced on the 17<sup>th</sup> December 2020. Although this is subject to consultation it is unlikely to change.
25. Total funding of £15.8bn was announced for the Police and in the settlement the Home Office announced that PCCs were to receive an additional £703m broken down as follows:
  - £415m to fund the recruitment of the next 6,000 of the 20,000 new officers under the Police Uplift Program (commonly called Boris' Bobbies) of which £100m would be held back contingent on delivery of new officers;
  - £288m from Council Tax Payers provided (and I quote the Home Office) "*if PCCs make full use of their flexibility to increase precept.*" to the £15 maximum.
  - All other grants, such as the formula grant and pensions, whilst being maintained were not increased.
26. In addition nationally the settlement also included:

- £1.1 billion for national priorities, resource and capital funding, including funding the fight against serious and organised crime including drug trafficking and child sexual exploitation and abuse, which will protect National Crime Agency funding to ensure cohesive national, regional and local law enforcement response.
- Funding for counter-terrorism policing will total up to £914 million in 2021/22, as well as an additional £32 million for a new CT Operations Centre.
- £152.6 million to continue to help police pay increased pensions costs of which £142.6 million will go directly to PCCs and £10 million to counter-terrorism police and the National Crime Agency.

27. In return the Government expects the police to deliver:

- 6,000 further officers – on top of the first tranche of 6,000 to be recruited in 2020/21 – recruited by the end of March 2022 – this equates as 73 officers for Surrey. The ring fenced grant of £100m, will be paid to forces in line with their progress in recruitment.
- £120m of efficiency savings from across the law enforcement sector – which are reflected in the funding set out as part of the settlement – delivered in 2021/22. These to be delivered through a combination of improved procurement practices (including the delivery of £20m of savings through BlueLight Commercial) as well as savings in areas such as estates, agile working and shared/enabling services. The policing sector to work with the Home Office in setting up and supporting a new Efficiency in Policing Board.
- High quality data to be utilised effectively to support local delivery, identify efficiencies and support the National Policing Board’s drive to deliver the best possible policing outcomes for the public. The Home Office & National Police Chiefs’ Council will bring together in one document their strategies, plans and initiatives for improving data collection and use across the sector and with key delivery partners such as criminal justice agencies.

28. For Surrey the actual settlement is shown in the table below:

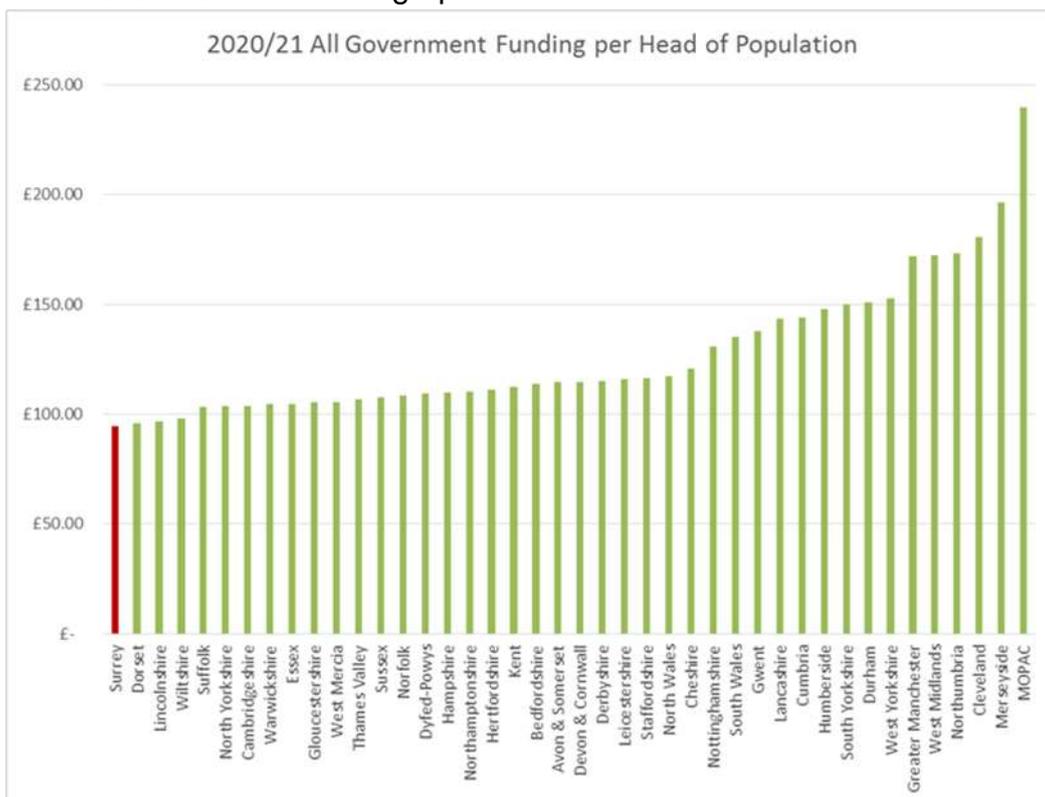
<b>Funding</b>	<b>2021/22 Final £m</b>	<b>2021/22 Provisional £m</b>
Principal Funding	69.5	72.2
Revenue Support Grant	29.4	32.9
Legacy Council Tax Grants	9.2	9.2
Operation Uplift	2.2	1.3
Specific Grants	2.0	2.0
<b>Total</b>	<b>112.2</b>	<b>117.6</b>
<b>Increase</b>		<b>5.4</b>

29. As per the Government announcement the £5.4m is all related to operational uplift although some of it has been incorporated in to other grants for the settlement. The £1.3m element of the grant is only paid upon successful delivery of new police officers.

### Council Tax 2021/22

30. The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any PCC that wishes to raise the council tax above the limits set by the Secretary of State will have to hold a referendum.

31. The council tax precept for Surrey in 2020/21 was one of the highest of English policing bodies at £270.57 per annum for a Band D property. This reflects the fact that Surrey has amongst the lowest Government funding per head for policing and so Council Tax payers bear a greater share of the cost of policing than many other areas. This is illustrated in the graph below:



32. The settlement for 2021/22 confirmed that all PCCs would be able to increase their precept by up to £15 without having to hold a referendum. This represents increase of 5.5% for Surrey.

<b>Year</b>	<b>Band D Council Tax</b>	<b>Change £</b>	<b>Change %</b>
2021/22	£285.57	£15.00	5.5%

33. In accordance with legislation the council tax option to increase the precept by £10 was considered by the Police and Crime Panel on 5<sup>th</sup> February 2021. The full report can be found in on the website under Police and Crime Panel Meetings. The Panel supported the proposal and the letter from the Chair of the Panel confirming the increase can be found in Appendix D.

34. Billing Authorities have advised that the council tax base for 2021/22 has decreased overall by 4,361 to 501,947 Band D equivalents and represents a loss in income of almost £1,2m. This is mainly due to the impact of Covid which has increased the number of claimants for Council Tax support, reduced the collection rate and slowed the delivery of new properties. The Government has provided a one off unringfenced grant of £1.543m to cover the cost of the reduction in tax base due to their being more Council Tax support claimants which has been incorporated in to the budget. The Government is anticipating that the base will recover over 2021/22 as the economy recovers but that is uncertain

35. In respect of the Collection Fund whilst in previous years that has generated an overall surplus due to better than expected collections this year Billing Authorities have advised that as a result of non-collection due to Covid there is a deficit on the collection fund of £1.6m. This can be spread over 3 years and so £836k is impacting the budget for 2021/22 with the remainder being split over the following 2 years. In addition the Government has agreed to provide support to cover 75% of some types of Collection Fund shortfall but not including non-payment. As the value of this is uncertain it has not been incorporated in to the budget.

36. The increase in the Band D precept of £15 will raise an additional £7.5m for 2021/22, of which £4.1m is the precept investment, and this has been reflected in the budget.

### **Budget Growth**

37. At the start of the budget process services are asked to submit their unavoidable growth bids for possible inclusion within the budget. These bids go through a rigorous challenge process to ascertain whether they are indeed unavoidable and indeed £3.2m of bids were dismissed as a result of this process. Although the total growth in the budget is £11.7m £4.1m of this is for the Precept Investment and £4.8m for uplift leaving net growth of £2.7m as set out below:

<b>Category</b>	<b>£m</b>
Pay Inflation and increments	1.8
Price Inflation	0.9
Capital Funding	1.0
Debt repayments	1.6
ICT investment and Service Growth	2.3
NPAS, SEROCU and Police Now detectives	0.6
Estates	1.7
Less: Savings	(6.4)
Less :Prior year transfer to Cost of change reserve	(0.8)
Total growth in budget	£2.7

Further detail is given below on the main areas of growth

#### Pay inflation and Increments

38. The Chancellor in his spending review announced that there would be a pay freeze across the public sector (excluding the NHS and those earning less than £24k) for 2021/22. This has resulted a reduction in growth of £3m based on an indicative increase of 2% however low pay and increments still have to be funded.

#### Capital Funding

39. The Force is forecast to increase its borrowing to fund the New HQ and so the revenue costs of this (interest and MRP) are reflected within the budget.

#### Price Inflation

40. These are unavoidable contractual price increases.

#### ICT Investment and Service Growth

41. Net costs of £2.3m have been incorporated in to the budget. The largest elements are for:

- Dealing with the backlog of maintenance at a number of sites across the county;
- Bringing in a mentoring scheme to support new Detectives. More detectives are needed if the Force is to improve its crimes solved rate;
- A new communications system;
- A new system to record interviews digitally straight to the Cloud rather than on discs as is the case now.

42. The full detail is shown in the table below:

<b>Service Growth</b>	<b>2021/22</b>
	<b>£</b>
Op Igil	- 604,000
Op Symphony	- 135,000
SEROCU - additional cost through grants potentially ceasing	66,060
Police Now Detectives & Neighbourhoods 2021	336,000
Positive Action - new post	55,000
OPAL Team - national intelligence function for serious acquisitive crime	5,000
NPCC Biometrics Team	5,000
Income Generation Manager FTE x 1	27,000
Income from above post	- 27,000
Driving Standards Inspector FTE x 1 - Temporary	36,540
Quality Standards Project Manager M1 FTE x 1 (Temp for 1 year)	24,300
Quality Standards Project Officer SPA 10 FTE x 1 (Temp for 1 year)	17,100
Forensics Collision ISO Accreditation	-
Forensics Capability Network (if HO funding stops Forces share the cost)	-
Joint Avaya Replacement - Unified Comms	385,528
Covert Source SAAS	22,950
Police Now Detective programme SPOC - DI FTE x 1	36,530
Operational Security Band 2 FTE x 1	24,198
Digital Interview Recording	360,000
Maintenance back log	1,700,000
NABIS Contribution	-
<b>Total</b>	<b>2,335,205</b>

### Efficiency Savings

43. Surrey Police has a good track record of delivering from savings and indeed the settlement from the Government emphasised the importance of the Police sector becoming for efficient. In the past 10 years Surrey has achieved over £75m of savings and so it is becoming more difficult to identify suitable savings. In 2020 the Force engaged CIPFA to do a review and to come up with a number of savings options. This has resulted in savings of £6.3m being incorporated in to the budget.

44. These Chief Constable's proposed savings are shown in detail in the table below:

<b>Description</b>	<b>Saving £m</b>
Use Capital rather than revenue to fund Capital	2.6
Individual departmental savings	1.7
Tighter control over existing budgets such as consultants, agency and inflation	0.8
Vacancy and recruitment management	1.2
<b>TOTAL</b>	<b>6.3</b>

45. Given that achievement of these savings is vital (they equal a significant proportion of the reserves) internal governance arrangements are in place to track achievement of savings to monitor the pace of change sufficiently to provide management with early warning should plans not progress as anticipated and ensure any additional action required is undertaken during the year.

## **Surrey PCC Public Consultation on the Police Precept 2021/22**

46. An online consultation was commenced on the 13<sup>th</sup> January 2021 asking whether the public was prepared to pay an additional £15 a year in Council Tax to recruit an additional 10 police officers (above the 73 paid for by the Government) and 67 operational support staff. This would deliver:

- A new team of officers focused on reducing the most serious accidents on our roads
- A dedicated rural crime team to tackle and prevent issues in the county's rural communities
- More police staff focused on assisting local investigations, such as interviewing suspects, to allow police officers to stay out visible in communities
- Trained intelligence gathering and research analysts to gather information on criminal gangs operating in Surrey and help target those causing the most harm in our communities
- More police staff focused on engaging with the public and making it easier to contact Surrey Police
- Funding to provide key support for victims of crime - in particular services to prevent domestic violence, stalking and child abuse.

The on line consultation closed on the 5<sup>th</sup> February 2021 and the outcome was almost evenly split between those in favour of an increase and those who were not. The economic situation was the largest single factor that made residents reject the increase rather than issues with the Police, Indeed there were many comments in support of the Police and this is borne out in other surveys on resident satisfaction.

The consultation is only one of the ways of assessing resident's views and the PCC has attended many events during the year culminating in a workshops in each borough in the run up to the Police and Crime Panel meeting.

### **Revenue Budget for 2021/22**

#### Performance for the year so far against the Revenue Budget 2020/21

47. Throughout the year, the PCC closely monitors the delivery of expenditure against budget in public Performance meetings. Regular updates have also been provided

to the Police and Crime panel. Any revisions to those budgets in line with the Financial Regulations are noted as key decisions, if required, on the PCC's website.

48. The revenue and capital monitoring forecast as at 30 November 2020 was as follows:

<b>Surrey</b>	<b>2020/21 PCC Budget £m</b>	<b>2020/2021 Operationa l Delivery Budget £m</b>	<b>Total 2020/21 Budget £m</b>	<b>2020/21 Total Forecast £m</b>	<b>Variance £m</b>
Month 8	2.2	247.8	250.0	249.4	(0.6)

49. A more detailed report can be found on the Police and Crime Panel agenda for 5th February 2021. This shows that the Chief Constable is predicting that expenditure at the year-end will be slightly under budget and hence no adjustment needs to be made to the budget for 2021/22 to cover any overspends.

50. The Chief Constable is also predicting that all of the planned savings for 2020/21 will be achieved as well as the targeted for recruitment of officers.

Proposed Revenue Budget for 2021/22

51. A summary of the 2021/22 net revenue budget is below:

## REVENUE BUDGET 2021/22

	2020/21 £m	2021/22 £m	Variation	
			£m	%
<b>Office Of Police &amp; Crime Commissioner</b>	2.1	2.1	0.0	0%
<b>Police Force</b>				
North Division	26.5	27.0	0.6	2%
East Division	30.0	30.5	0.5	2%
West Division	32.8	33.4	0.7	2%
Specialist Crime	26.0	26.1	0.1	0%
Operations	19.2	19.7	0.5	3%
Public Protection	12.4	12.6	0.2	2%
Contact & Deployment	19.2	19.5	0.3	2%
Criminal Justice	12.3	12.5	0.2	2%
Volunteering	0.3	0.4	0.0	9%
sub total	178.5	181.7	3.2	2%
Chief Officers	1.3	1.0	(0.3)	(20%)
DCC	1.6	1.6	0.0	1%
PSD	2.9	3.1	0.2	7%
Corporate Communications	1.5	1.5	0.0	2%
Service Quality	2.5	2.5	0.0	1%
Change Programme	0.7	0.7	0.0	1%
sub total	10.4	10.4	0.0	0%
ICT	16.2	18.5	2.3	14%
Finance & Services	16.6	18.5	1.9	11%
People Services	12.5	12.1	(0.5)	(4%)
Operation Uplift	0.0	4.8	4.8	0%
Precept Uplift	0.0	4.1	4.1	0%
Corporate	13.7	16.1	2.4	17%
sub total	59.0	74.0	15.0	25%
<b>Sub-Total Force</b>	<b>248.0</b>	<b>266.1</b>	<b>18.2</b>	<b>7%</b>
<b>Savings Plan</b>		<b>(6.4)</b>		
<b>GROSS BUDGET</b>	<b>250.0</b>	<b>261.7</b>	<b>11.7</b>	<b>5%</b>
<b>Grants</b>				
Home Office Police Grant	(69.5)	(72.2)	(2.7)	4%
Formula Funding	(29.4)	(32.9)	(3.6)	12%
Legacy Council Tax Grant	(2.5)	(2.5)	0.0	0%
Council Tax Support Grant	(6.8)	(6.8)	0.0	0%
Police Officer Pension Grant	(2.0)	(2.0)	0.0	0%
Operation Uplift Performance Grant	(2.2)	(1.3)	0.9	0%
<b>Total Grants</b>	<b>(112.2)</b>	<b>(117.6)</b>	<b>(5.4)</b>	<b>5%</b>
<b>Use of Reserves</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Local Council Tax Scheme Grant</b>		<b>(1.1)</b>		
<b>Collection Fund Surplus / Deficit</b>	<b>(0.8)</b>	<b>0.4</b>	<b>1.2</b>	
<b>NET PRECEPT REQUIREMENT</b>	<b>137.0</b>	<b>143.4</b>	<b>6.4</b>	<b>4.7%</b>

\* where figures are rounded to 1 decimal place they may not cast correctly

52. The total budget is under the control of the Police and Crime Commissioner. However the bulk of it is delegated by the PCC to the Chief Constable (Police Force) to provide for all day to day operational policing activities. The PCC retains the budget for the running costs of the Office of the Police and Crime Commissioner, community safety, victim support and restorative justice and transfers to and from reserves.

53. The 'Office of the PCC' includes salary and associated costs of the PCC, Chief Executive, Chief Finance Officer and any other staff employed to support the PCC as well as office-running costs. It also includes other statutory local policing body costs such as internal and external audit, banking and treasury management for example. Further details in respect of the budget for the OPCC for the year can be

found within the Police and Crime Panel agenda for the 5<sup>th</sup> February 2021. (It should be noted that the OPCC budget above of £2.1m does not include its share of the Precept Uplift of £640k)

### Community Safety

54. The PCC continues to support Community Safety initiatives and Community Safety Partnerships (CSP) through the Community Safety Budget. It is planned that the current total allocation will remain over the period of the MTFS but increase by inflation. The budget provides financial support to local community groups, voluntary and third-sector organisations that are working to reduce crime, improve community safety and help people recover from the impact of crime. The PCC will continue to develop and grow this market to provide services that meet the needs of local residents and help to keep Surrey safe.

### Victim Services and Restorative Justice

55. The Ministry of Justice allocates a grant to the PCC to spend on victim services and child sexual abuse services. The grant is allocated between PCCs on the basis of population. A total grant of £1.390m has been allocated to Surrey in respect of Victims and Witness Services for 2021/22. We make the assumptions that future grant settlements will continue and not impact on the precept decision. A further £0.644m has been allocated to the Victims budget from the Precept Investment to provide key support for victims of crime – in particular services to prevent domestic violence, stalking and child abuse.

### **Capital & Investment Programme 2021/22**

56. Capital and investment expenditure of £15.2m in 2020/21 to be financed by a combination of government grant, borrowing, capital receipts and revenue transfers. The summary budget for the year (and estimated for the next 3 years) is shown in the table below:

2020/21 (including b/fwd)	Surrey Capital & Investment Programme	2021/22	2022/23	2023/24	2025/26	Total
£m		£m	£m	£m	£m	£m
4.8	Information Technology	2.0	2.0	2.0	2.0	8.1
0.5	Business Led IT Projects	0.7	0.6	-	-	1.3
3.9	Fleet Replacement and Equipment	3.7	3.7	3.9	3.9	15.1
4.6	Estate Strategy	12.6	2.7	1.4	-	16.7
1.5	Operational Equipment	0.3	-	-	-	0.3
15.3	Total	19.3	9.0	7.3	6.0	41.5

57. The Capital is to be used as follows:

ICT – New Hardware, Firewall upgrade, EMM replacement, Unified Comms and Service Management platform.

Fleet – on new cars as per the vehicle strategy. Also ANPR and telemetry

Business Led IT and Equipment – ANPR system, SEROCU, Drones, Tasers and Ops command equipment

Estates – BTF costs for the year, Dog school, Firing range and Caterham Roof

It should be noted that in years 2 to 5 the full cost of the new HQ has not been included as this will only become clear once RIBA stage 2 is completed later in the year.

58. Funding capital expenditure going forwards will present more of a challenge as either larger transfers from Capital to Revenue will be required and/or higher borrowing. Borrowing is only an option if it falls within the prudential regulations. It may be that the Capital Program will have to be revised to reflect the resources available. The table below highlights the possible funding of the program and the potential shortfall on the future plan

2020/21 (including b/fwd)	Surrey Capital Programme Funding	2021/22	2022/23	2023/24	2025/26	Total
£m		£m	£m	£m	£m	£m
-	Capital Resources Brought Forward	-	-	-	-	-
0.2	Central Government Grant	0.2	0.2	0.2	0.2	0.7
0.8	Other Capital Receipts	1.0	0.3	0.9	-	2.2
-	Estate Strategy Receipts	7.3	-	4.7	-	12.0
-	Estate Strategy Borrowing	8.0	2.7	(3.4)	-	7.4
7.0	Other Borrowing	-	-	-	-	-
8.0	Total Capital Resources	16.5	3.2	2.4	0.2	22.2
14.9	Capital Resources Applied	19.3	9.0	7.3	6.0	41.5
(6.9)	Capital Resources Carry Forward	(2.8)	(5.8)	(4.9)	(5.8)	(19.3)
-	Revenue Resources brought forward	0.2	-	-	-	0.2
4.2	Revenue Contributions Received in-year	2.6	3.6	4.6	6.6	17.4
0.1	Other External Grants / Conts	-	-	-	-	-
3.1	Capital & Investment Reserve	-	-	-	-	-
7.5	Total Revenue Resources	2.8	3.6	4.6	6.6	17.6
6.9	Revenue Resources Applied to Capital	2.8	5.8	4.9	5.8	19.3
0.3	Revenue Resources Applied to Revenue	-	-	-	-	-
0.2	Revenue Resources Carry Forward	(0.0)	(2.2)	(0.3)	0.8	(1.7)
15.3	Total Funding Applied	19.3	9.0	7.3	6.0	41.5

## Reserves 2021/22

59. Revenue and Capital Reserves are an important resource for day to day as well as medium term financial planning despite being one-off in nature. The Chartered Institute of Public Finance and Accountancy consider that PCCs should establish reserves including the level of those reserves based on the advice of their chief finance officers and should make their own judgements taking into account all the relevant local circumstances.

60. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing

budgets. The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.

61. The PCC's reserves policy is published on the OPCC website

62. A full analysis of the PCC's revenue reserves and their planned use in 2021/22 taking into account the proposals outlined is set out in the following table:

<b>RESERVES</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
<b>*estimated</b>	<b>£m*</b>	<b>£m*</b>	<b>£m*</b>	<b>£m*</b>	<b>£m*</b>
<b>General Reserves</b>	8.6	8.9	9.2	9.3	9.4
<b>Earmarked Reserves</b>					
PCC Estate Strategy Reserve	3.1	3.1	3.0	-	-
PCC Cost of Change Reserve	0.9	0.7	0.7	0.7	0.7
Covid19 Reserve	1.0	0.6	0.6	0.6	0.6
Local Council Tax Scheme Reserve		0.4			
Insurance reserve	3.4	3.4	3.4	3.4	3.4
Police pension reserve	1.4	1.4	1.4	1.4	1.4
<b>Total Earmarked</b>	<b>9.8</b>	<b>9.6</b>	<b>9.1</b>	<b>6.1</b>	<b>6.1</b>
<b>TOTAL RESERVES</b>	<b>18.4</b>	<b>18.5</b>	<b>18.3</b>	<b>15.4</b>	<b>15.5</b>

63. The reserves are held for the following reasons:

**PCC Estate Strategy Reserve** - This has been created to manage the transition costs involved in delivering the Estate Strategy which involves rationalising some of the current estate and building a new operational headquarters.

**PCC Cost of Change Reserve** - This funds projects that enhance the policing in Surrey and/or deliver savings. In practice under spend from the operational budget is transferred to this reserve at year end, subject to PCC approval and maintaining the total general reserves at 3%.

**COVID Reserve** – to mitigate some of the financial impacts of the pandemic

**LCTSS Reserve** – to mitigate the impact of increased numbers of LCTSS claimants on the tax base

**Insurance Self Fund Reserve** - This is in place to meet the costs of future insurance claims and liabilities that have not yet crystallised. In addition, an insurance provision is held where the costs are more certain. An actuarial review is carried out annually to establish the levels to meet both the reserve and the provision.

**Police Officer Pension Reserve** - This is maintained to meet the capital charge made by the Home Office for each officer that retires due to ill health. A percentage of the police officer cost as recommended by the Home Office is added to this reserve and the level will fluctuate from year to year depending on the number of retirees.

**General Reserves reserve** - This is set aside for unexpected events or emergencies and provides a working cash balance to help with the impact of uneven cash flows and avoid unnecessary temporary borrowing. The reserves policy principle is to maintain the general reserve at a minimum of 3% of Net Revenue Expenditure which puts it at the lower end of reserves for Forces across the country.

## **Adequacy of Reserves and Robustness of Budget Estimates**

### Background Information on Reserves

64. Revenue and Capital Reserves are an important resource for day to day as well as medium term financial planning despite being one-off in nature. The Chartered Institute of Public Finance and Accountancy consider that PCCs should establish reserves including the level of those reserves based on the advice of their chief finance officers and should make their own judgements taking into account all the relevant local circumstances.
65. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets. The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.
66. The Home Office Financial Management Code of Practice
- PCCs to establish a policy on reserves including how they may be used;
  - Full details of how the reserves and provisions policy will operate locally;
  - Ensure that the annual budget includes a realistic amount of operational contingency that is available to the Chief Constable for operational priorities without the need for additional approval; and
  - Provision for budgets to be carried forward from one financial year to the next.
67. The establishment and maintenance of resource backed reserves are held for four main purposes:
- As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
  - Provide funds to cushion the impact of unexpected events or emergencies – this also forms part of general reserves
  - Provide funds for the purposes of managing risk e.g. insurance reserve; and

- As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the reserves.
68. The Chief Finance Officer has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds. Within the existing statutory and regulatory framework, it is the responsibility of the chief finance officer to advise about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
69. In assessing the appropriate level of reserves, a well-managed PCC will ensure that the reserves are not only adequate but are also necessary.
70. The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level despite the pressures to compare between PCCs nationally.
71. One of the key sources of assurance is through risk management and the process of taking appropriate action to mitigate or remove risks where possible. This in turn may lead to a lower level of reserves being required, and it would be appropriate to consider reducing the level of balances held where appropriate action to mitigate or remove risks has been successfully undertaken. A balance will need to be found between maintaining adequate levels of reserves and investing in risk reduction measures. This balance should form part of the risk management process and be considered as part of the annual budget process.
72. The Local Government Act 2003 requires the Chief Finance Officers to undertake an assessment of the robustness of the budget estimates and the adequacy of reserves.
73. The budget and MTF5 allows the Police and Crime Commissioner to consider the prudent use of reserves in the context of the future spending pressures and potential risks arising from potential changes to the funding formula without having a detrimental effect on policing.
74. In assessing the robustness of the budget, the Chief Finance Officers have considered the following issues:
- The general financial standing of the PCC;
  - The underlying budget assumptions, including an assessment of the estimates for pay and price increases;
  - A risk assessment of expenditure and income estimates including adequacy of budget monitoring and financial reporting arrangements (See Appendix A);
  - The future budget pressures identified in this report;
  - The adequacy of the budget monitoring and financial reporting arrangements;
  - The adequacy of the PCC's governance arrangements and internal control system;

- The adequacy of general reserves to cover any potential financial risks faced by the Police and Crime Commissioner;
- The impact of the police grant settlement.

75. At 31 March 2021, the Police and Crime Commissioner's General Reserve is estimated at £8.6m and is forecast to increase by a further £0.2m to close at £8.9m as at 31 March 2022 (3% of revenue expenditure), in accordance with the approved reserves policy

76. The CIPFA Financial Management Codes was published in October 2019 and provides guidance for good and sustainable financial management in a range of public bodies including policing. The FM Code offers assurance that organisations are managing resources effectively, regardless of their current level of financial risk.

77. Many Forces, including Surrey, have done much to transform services, shape delivery and streamline costs. But for these approaches to be successful it is vital to have sound financial management embedded across an organisation. Hence the application of the new FM code coupled with the program "Achieving Financial Excellence in Policing" (AFEP) seeks to deliver this aim and hence provide the assurance required.

78. The PCC's Chief Finance Officer confirms that, after taking account of these issues, the revenue and capital estimates contained in this report are considered robust and that the level of reserves proposed above is considered adequate to cover the financial risks faced by the Police and Crime Commissioner in 2021/22.

### **Council Tax Requirement**

79. The Localism Act requires the Commissioner to set a Council Tax Requirement. The calculation of the Council Tax Requirement, based on the proposed revenue budget and contribution from reserves is set out below:

2020/21 £m	2020/21 Proportion %		2021/22 £m	2021/22 £m	Proportion %
250.0		Total Revenue Expenditure		261.7	
0.0		<b>Less</b> Appropriations (to) / from Reserves		0.0	
<b>250.0</b>		<b>Net Budget Requirement</b>		<b>261.7</b>	
		<b>Less</b>			
69.5		Main Policing Grant	72.2		
29.4		Revenue Support Policing Grant	32.9		
2.5		Council Tax Legacy Freeze Grant	2.5		
6.8		Council Tax Local Support Grant	6.8		
2.2		Operation Uplift Performance Grant	1.3		
2.0		Pensions Grant	2.0		
<b>112.2</b>	<b>45%</b>	<b>Total Policing Grant</b>		<b>117.6</b>	<b>45%</b>
		<b>Local Council Tax Scheme Grant</b>		1.1	
<b>137.8</b>		<b>Balance to be raised locally</b>		<b>143.0</b>	
0.8		Less net surplus on collection funds		-0.4	
<b>137.0</b>	<b>55%</b>	<b>Council Tax Requirement</b>		<b>143.4</b>	<b>55%</b>

80. The notified Council Tax base figure is 501,947 this represents a decrease of is a decrease of 4,360 (0.9%) over the previous year. This is mainly due to three reasons related to Covid – fewer houses built than anticipated, greater number of benefit claimants and lower anticipated collections rates.

81. The billing authorities are forecasting a cumulative deficit on the collection fund of £1.611m. This is mainly due to non-collection as a result of Covid. Some of deficit relating to 2020/21 is due to be reimbursed by the Government through a complicated calculation with £774k being spread over 2 years so as to mitigate the impact on the budget.

### Consultation with the Police and Crime Panel

82. The Police and Crime Panel considered the PCC precept proposals on the 8th February 2021. The panel expressed a number of reservations which can be summarised as follows:

- a) The size of the precept increase due to the current economic situation;
- b) The results of the residents survey with a 51% against an increase;
- c) Doubts as to the impact that the investment would have on Police performance as this had remained flat

83. On a vote 3 members voted for the PCC precept proposal and 7 against. This did not meet the threshold of 2/3rds majority of all members, not just those present, the proposal was accepted.

## **Risk Management**

84. Associated risks have been considered and recorded as appropriate and are set out in Appendix A.

## **Legal**

85. The PCC has the legal responsibility duty to set the precept, revenue and capital budget for the year.

## **Equality and diversity**

86. Any implications arising from this budget in respect of Equality and Diversity have been considered by the Chief Constable as part of the budget setting process.

## **Recommendations**

87. The Police and Crime Commissioner is requested to:

- a) approve the capital and investment programme and authorise the Chief Finance Officer to undertake the appropriate financing;
- b) approve the revenue budget and
- c) note the review by the Chief Finance Officer in respect of the robustness of the budget and the adequacy of reserves.
- d) Note the Council Tax Base of 501,946.69 for the year 2021/22 as notified by the billing authorities within Surrey (item T in the formula in Section 44 (1) of the Local Government Finance Act 1992, as amended).
- e) Approve the following amounts for the year 2021/22 in accordance with Sections 43, 44 and 47 of the Local Government Finance Act 1992, as amended:-
  - i. £261,702,275.59 being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 43 (2) (a) to (d) of the Act;

- ii. £118,361,359.30 being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 43 (3) (a) to (b) adjusted for the item set out in the Act;
- iii. £143,340,916.27 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Police and Crime Commissioner in accordance with Section 43 (4) of the Act, as its Council Tax Requirement for the year;
- iv. £285.57 being the amount at (c) above divided by the tax base as notified by billing authorities for Surrey, calculated by the Police and Crime Commissioner in accordance with Section 44 (1) of the Act, as the basic amount of tax for the year;
- v. Valuation bands being the amounts given by multiplying the amount of (d) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Police and Crime Commissioner in accordance with Section 47 (1) of the Act, as the amounts to be taken into account for the year in respect of the categories of dwelling listed in different valuation bands.

<b>Band</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£</b>	<b>£</b>
A	180.38	190.38
B	210.44	222.11
C	240.51	253.84
D	270.57	285.57
E	330.70	349.03
F	390.82	412.49
G	450.95	475.95
H	541.14	571.14

- f) Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner’s relevant basic amount of Council Tax for 2021/22 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Localism Act 2011 for 2021/22.
- g) Resolve that in accordance with Section 40 of the Local Government Finance Act 1992, as amended, the billing authorities within the area of this authority be issued with precepts in the amount of £143,340,916.27 for

the financial year beginning 1 April 2021, the amount of the retrospective precepts to be issued to each billing authority's area in accordance with the Sections 43, 44 and 47 of the 1992 Act, as amended.

**Kelvin Menon**

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**Appendices:**

**Appendix A**

FINANCIAL RISK ANALYSIS

**Appendix B**

TAX BASE AND PRECEPT SCHEDULE 2021/22

**Appendix C**

MEDIUM TERM FINANCIAL STRATEGY AND ASSUMPTIONS

## RISKS WITH BUDGET AND MEDIUM TERM FINANCIAL PLAN

Issue	Assumption	Comment
<b>Maintaining &amp; improving service performance levels</b>	Resources sufficient to meet targets and priorities in the Police and Crime Plan and Chief Constable Commitments	<p>The Chief Constable believes that there are sufficient resources to deliver future Police &amp; Crime Plan priorities, Chief Constable Commitments and Strategic Policing Requirement. However there remains risk from the cost of major operations including counter-terrorism, major incidents including pandemics, particularly if these are not fully funded nationally.</p> <p>The PCC has resources available for any one-off cost pressures in the form of reserves to assist Operational Policing and has approved year on year increases to the policing precept.</p>
<b>Pay and price budgets and establishment control</b>	<p>Provision for national pay awards of 0% apart from employees on £24k or less.</p> <p>Staff turnover and increments based on detailed analysis of current staff profile and trends.</p> <p>General price inflation of 2%</p>	<p>Whilst the number of police officer leavers is difficult to predict, recruitment and promotions are managed during the year across Surrey Police to match staffing need and resources to budget.</p> <p>Detailed analysis of employee costs is carried out in setting the budget with close corporate monitoring of the overall budget and management action to maintain financial discipline is particularly important to ensure resources are deployed to achieve the most effective and efficient service delivery, as well as the PCC's approved investment in Police &amp; Crime Plan and Surrey Police Commitments. The Force Organisation Board will monitor all aspects of the financial and human resources including the recruitment progress and report to the PCC.</p> <p>Pay and price contingency is available to meet unexpected increases in year.</p> <p>The risk that prices may rise is mitigated by budget monitoring arrangements, reserves and actively managing spend pressures.</p>
<b>Limits to Precept Increases</b>	<p>£15 in 2021/22.</p> <p>Future precept planning assumption of a 2% increase.</p>	<p>The ability to increase the precept complemented by Operation Uplift grant has enabled targeted and affordable investment in future years are planned at Band D increases of 2% subject to government policy and PCC annual decision.</p> <p>The Localism Act 2011 gives a statutory obligation for council tax referendums to be held should a precept higher than prescribed be approved by the PCC. The Secretary of State for Communities and Local Government set the level above which a referendum would be required.</p> <p>An increase in excess of the referendum level or precept 'cap' would result in the requirement to hold a referendum and the costs met by the OPCC.</p>
<b>Grant Levels / Spending Review 2021</b>	Main police revenue grant increased by 4.8% for 2021/22.	The last 3 settlements have been one year only settlements. Future reductions in funding including unfavourable review of the funding formula is possible within the MTFs period starting in 2022/23, this will be monitored regularly with proactive input to the Spending Review and any funding formula reviews or consultations arising. The future assumption is that grant will be flat cash apart from the

	Capital grant flat cash for 2021/22.	<p>increase in police officers under the Operation Uplift, which will end in 2022/23.</p> <p>Capital Grant reduced to £0.200m in 2020/21 from £0.600m in 2019/20 and remains at £0.200m for 2021/22. This sum could reduce again in a future Spending Review.</p>
<b>Council Tax</b>	<p>Collection rates advised by individual billing authorities</p> <p>Tax Base</p>	<p>The risk of council tax collection rates being lower than expected could impact on the collection fund balances and any surpluses payable to the PCC as demonstrated with 2020/21 forecasts. Billing authorities' factor in prudent collection rates to mitigate this risk. The PCC works closely with billing authorities to monitor their key collection rates and contributes financially towards the costs of reviews of discounts, including the single person discount, and exemptions.</p> <p>The tax base is normally expected to increase during the MTFS period but the assumptions could be impacted by changes to the mix of dwellings, discounts and the impact of unemployment numbers within billing Authorities council tax reduction schemes.</p> <p>As a result of the COVID19 pandemic this risk has increased substantially and future estimates will be reduced and guided by the billing authority's data returns.</p> <p>There is support from government in 2 forms; reductions experienced from the tax base via the Local Council Tax Scheme grant amounts to £1.5m, a one off grant, which will be required to cover future years.</p> <p>Collection fund support in the form of a claim up to 75% of deficit and required to spread over 3 years.</p>
<b>Pandemic</b>	Risks	<p>The Force maintained a specific risk register in response to this public health emergency including the financial risks, which comprised of staffing, cash flow, in year direct financial costs to respond and the longer term economic impact. These risks are mitigated by the control measures the specific areas within this risk analysis document as the pandemic is ongoing risk into the new financial year.</p>
<b>EU Exit</b>	Risks	<p>As above the Force maintained a stand-alone risk register and even though the exit deal and the subsequent trade deal have lowered the risks, there are potential financial consequences that have not materialised as yet, price rises due to the additional burden from imports, currency weakness or supply issues. Pay and price contingency is available to meet unexpected increases in year.</p>
<b>Budget Estimates (Expenditure)</b>	Provision for specific on-going cost pressures	<p>The budget estimates including all identified additional costs for 2021/22, supported by input and review by the Chief Financial Officers.</p> <p>All cost pressures are scrutinised internally by the Chief Finance Officers and also the DCC chaired Force Organisation Board before inclusion in the financial plan.</p> <p>Third party assurance has been gained from engaging CIPFA to review the financial assumptions in the plan.</p> <p>Risks of budget overspend are mitigated by the monthly budget monitoring process and formal monitoring reports to the PCC.</p>

<b>Budget Estimates (Expenditure)</b>	Provision for Operation Uplift enablement costs	<p>The Operation Uplift increase in police officers apart from the salaries require additional vehicles plus running costs, IT equipment, uniform and kit. There are also costs in relation to estate provision plus running costs, recruitment, training costs, Occupational Health and associated costs of having more people in the organisation such as insurance, IT licences and other overheads. The budget estimates include the expected costs from this growth however there remains a risk that unidentified financial consequences were not catered for within the budget.</p> <p>All cost these pressures are scrutinised internally by the Chief Finance Officers and also the DCC Strategic Planning Board before inclusion in the financial plan.</p> <p>Risks of budget overspend are mitigated by the monthly budget monitoring process and formal monitoring reports to the PCC.</p>
<b>Budget and financial reporting</b>	<p>Additional Investment potential in 2021/22 from Operation Uplift Officers (73) and precept new investment of £4.1m.</p> <p>Savings plan £6m 2021/22</p> <p>Monthly 'Group' budget monitoring</p>	<p>Action plans to deliver savings continue to be reviewed by Chief Officers and regular monitoring will be undertaken to track achievement of savings and ensure any additional action required is undertaken during the year.</p> <p>The achievement of savings developed with support from CIPFA have been scrutinised by Chief Officers as to the acceptability and achievability of the proposed savings.</p> <p>Financial monitoring is in place with a rigorous process of monthly review, including close scrutiny by the Chief Constable's Chief Finance Officer, the PCC's Chief Finance Officer and at the monthly DCC chaired Force Organisation Board, at which progress against the investment is reported.</p> <p>The PCC regularly receives a Financial Report which is on the agenda at the Chief Constable accountability meeting entitled the PCC Performance Meeting.</p>
<b>Savings Plan</b>	Budget includes £6m of savings	<p>The achievement of savings developed with support from CIPFA have been scrutinised by Chief Officers as to the acceptability and achievability of the proposed savings.</p> <p>Action plans to deliver savings continue to be reviewed by Chief Officers and regular monitoring will be undertaken to track achievement of savings and ensure any additional action required is undertaken during the year.</p> <p>The savings planned in the first year of the four year plan are within the reserves available but would be exceeded in subsequent years if not delivered.</p>
<b>National IT Systems</b>	Move to full cost charging without transfer of funding from Home Office.	Further potential costs related to the national Home Office charges for IT systems from a grant ratio allocation basis to a Force budget ratio which may lead to additional costs for Surrey Police including changes to training and the creation of the national police college could continue in 2021/22 and beyond. A PCC and Police group has been established to scrutinise these cost before they are agreed.
<b>Levels of Reserves</b>	Forecast to reduce over the term of the MTFS	Currently used to finance the capital and investment programme and major change initiatives. It remains a risk that the level of reserves is adequate to meet unplanned demand and unexpected costs.

		<p>To mitigate this risk, the General Reserve is kept at a minimum of 3% of revenue expenditure.</p> <p>An annual review of all reserves is undertaken at budget setting along with a post year-end review and update to the MTFS. Now that our budget is increasing further contributions are required to reserves in order to meet the stated limits over the period of the MTFS. Specific reserves are being employed to reduce the pressure on the revenue budget in the form of an Estate Strategy Reserve and a Cost of Change Reserve. A reserve by its nature can only be employed as a one off cash injection, the savings planned in the first year of the four year plan are within the reserves available but would be exceeded in subsequent years if not delivered.</p>
<b>Interest rates, investment and borrowing</b>	<p>Interest rates assumptions</p> <p>Borrowing at fixed rates.</p>	<p>Forecasts of investment income for 2021/22 onwards are based on estimated cash balances and interest rate forecasts as set out in the treasury management strategy. A prudent position has been adopted with regard to anticipating future increases in interest rates, to address the risk of interest rates being lower than expected, from a very low base.</p> <p>As economic activity has slowed markedly and interest rates reduced, in year and over the planning period estimates have been revised downwards.</p> <p>The risk of investment fund loss due to collapse of the financial institution with whom the deposit is placed, is limited by controls within the <a href="#">Treasury Management Strategy</a> which focus on security rather than returns. Potential impact is mitigated by a diverse portfolio with top credit rated institutions.</p> <p>As part of the borrowing strategy in support of financing long term assets the ability to employ internal and external borrowing has been established which will be instigated by the Chief Finance Officer for the PCC. The Building the Future project is planned to be financed from borrowing.</p>
<b>Income Assumptions</b>	<p>Income budgets reduced for specific items.</p>	<p>Some risk of achieving on-going level of income targets included in Divisional and Department budgets. This will be monitored during the year and appropriate action or mitigation agreed as necessary. Additional income may be received in-year due to unforeseen events, additional grants from Home Office or other third parties. Budget adjustments will be requested where appropriate.</p>
<b>Police Pension</b>	<p>Ruling from McCloud and Sergeant appeal</p>	<p>Police pensions along with many public sector pensions was reviewed to ensure a fairer balance between public purse and pensioners. The scheme was changed to a Career Average Revalued Earnings (CARE) scheme which included transitional arrangements. These arrangements were challenged and accepted by the tribunal. There is a possible risk that future employer contributions will have to increase as the cost of the scheme is expected to be higher. The risk is whether this higher employer contribution is met from government funding or rests with Forces.</p>
<b>LGPS Pension</b>	<p>LGPS reform changes</p>	<p>HMT Restriction of Public Sector Exit Payments Regulations 2020 restrict public sector bodies from making exit payments above £95,000 in connection with a person over the age of 55 leaving employment or vacating office.</p> <p>MHCLG proposes further limitations to LGPS and compensation regulations within a wider exit payment reform which includes pension strain costs and discretionary compensation amounts. There is also a risk of legal</p>

		<p>challenge to force payment decisions as LGPS regulations are not yet consistent with HMT regulations.</p> <p>Other challenges to LGPS funds and administration include the impacts of McCloud underpin implementation, SAB and HMT cost sharing schemes, Goodwin (survivor payment equality) remedy and the alignment of LGPS valuation cycles with other government schemes e.g. police officer schemes.</p>
<b>Reductions in security grants</b>	Potential reductions in Airport and other security grants.	MTFS assumes that grants will continue at current level. If subsequently reduced, savings will be made to cover the reduction outside of core savings targets.
<b>Public Order</b>	Additional cost of overtime and associated costs	Whilst action will be taken to mitigate the overtime and other additional costs relating to policing public order operations, significant costs may be incurred on anticipated events in 2021/22. The Force is following nationally agreed guidelines on the policing of events. It is proposed that any in-year over-achieved savings will be used as a first source for funding, otherwise other revenue budget and operational reserve provides potential sources of funding if necessary.
<b>Operational Demands</b>	Public protection	Key operational pressures include continuing demand and complexity of public protection cases (domestic abuse and vulnerable children/adults) plus changes in nature/type of evidence collection, with a growing range of digital devices having to be examined requiring additional forensic time/resource and cost to process. The Forensic Capability Network a national group are overseeing developments in the Forensic market including digital forensics. <a href="https://recruitment-dcp-dp.org/dorset-police-staff/forensic-capability-network/">https://recruitment-dcp-dp.org/dorset-police-staff/forensic-capability-network/</a>
<b>Capital Programme</b>	Latest plans	There is a risk of the capital programme being understated, or that over spending occurs, resulting in insufficient funding being available as planned. Slippage may also impact on operational demands. The capital plan is reliant of several sources of funding including capital receipts which are at risk of not being achieved either in quantum or timing. These risks are mitigated by regular review of all major projects including the Estates Strategy and ICT projects, focus on key priorities agreed in advance, together with monthly budget monitoring and regular monitoring reports to the PCC.
<b>Building the Future – New Headquarters</b>	Major capital project	The scale of this project carries a number of risks including potential financial risks which are managed through a Building the Future Steering Group chaired by the Deputy Chief Constable which makes recommendations to the Building the Future Board chaired by the Police and Crime Commissioner for any decisions.
<b>Capital Financing</b>	MRP is calculated on an asset by asset basis	This Capital Financing risk is of charges being greater than budgeted. This is mitigated by considering revenue and capital implications of major project spend within the capital and investment planning process and inclusion within the MTFF. The MRP debt repayment provision is calculated on individual assets and 100% of borrowing has fixed term rates, thus will not be impacted by changes in interest rates. Borrowing is planned to finance the capital programme within this MTFS.
<b>Regional Partners</b>	Investment plans	The risk is that all regional partners are not aware of each partner’s investment plans, estate strategy etc. which can lead to un-planned expenditure within the year. A regional

		Police lead for SERIP has improved the communication to minimise this possibility, within their scope.
<b>National ICT Programmes</b>	Latest plans	There is a risk that delays to the implementation of national ICT schemes including ESMCP, NLEDS & HOB present significant risk. These risks will be managed by regular review of all these major projects at both the Strategic Change Board and the DCC Strategic Planning Board.
<b>Local ICT Programmes</b>	Project transition	Following the delays experienced by the ERP project it has now entered a transition phase to assess the direction the Force wishes to take to further develop the asset taking into account their priorities, risk appetite and affordability. There is a risk due the nature of it being a major IT project that costs maybe under estimated. The associated risk is the cost of maintaining legacy systems to ensure they remain fully operational.
<b>Risk Management</b>		Financial consequences could result if all major risks have not been identified when the budget has been set. This is mitigated by robust risk management arrangements in place with formal reporting to the Joint Audit Committee, Organisational Reassurance Board chaired by the Deputy Chief Constable; comprehensive insurance arrangements in place; and an adequate reserves policy and reserves (including the insurance and general reserve balances).
<b>Climate Emergency - Carbon Neutral Pledge</b>		Following Surrey County Council declaring a climate emergency the PCC and Chief Constable fully back the move and a strategy is now being developed through the joint Surrey and Sussex Environmental Board with the aim of making the organisation carbon-neutral by 2030. As the strategy is developed the financial implications will become apparent.

## APPENDIX B

### TAX BASE AND PRECEPT 2021/22

The Tax Base for the year 2021/22 is the aggregate of the amounts tax bases calculated by the billing authorities to which the Police & Crime Commissioner for Surrey issues precepts totalling. This totals 501,946.69 for band D equivalents as set out in the table below. The basic amount of Council Tax (Police Precept) is the budget requirement less the amounts receivable from other funding sources, all divided by the tax base. For 2021/22 this shall be £285.57 to the nearest penny, for band D properties. The amounts per band are as follows:

Band	2019/20	2020/21
	£	£
A	180.38	190.38
B	210.44	222.11
C	240.51	253.84
D	270.57	285.57
E	330.70	349.03
F	390.82	412.49
G	450.95	475.95
H	541.14	571.14

The amount of Council Tax payable for dwellings listed in a particular valuation band, calculated in accordance with the proportions set out in Section 5(1) of the Act, shall be as follows (shown to the nearest penny).

	Taxbase	Total Precept £	Total Coll. Fund £	Total
				Net Payment £
Elmbridge	<b>64,518.00</b>	18,424,405.26	-175,658.33	18,248,746.93
Epsom & Ewell	<b>33,149.63</b>	9,466,539.84	-8,239.18	9,458,300.66
Guildford	<b>57,159.40</b>	16,323,009.86	39,121.67	16,362,131.53
Mole Valley	<b>40,759.00</b>	11,639,547.63	-78,055.52	11,561,492.11
Reigate & Banstead	<b>60,720.00</b>	17,339,810.40	-60,975.15	17,278,835.25
Runnymede	<b>33,404.00</b>	9,539,180.28	-70,611.00	9,468,569.28
Spelthorne	<b>39,016.30</b>	11,141,884.79	-243,985.96	10,897,898.83
Surrey Heath	<b>38,810.56</b>	11,083,131.62	-215,606.00	10,867,525.62
Tandridge	<b>38,454.00</b>	10,981,308.78	-34,929.42	10,946,379.36
Waverley	<b>55,612.80</b>	15,881,347.30	-105,220.00	15,776,127.30
Woking	<b>40,343.00</b>	11,520,750.51	-26,625.67	11,494,124.84
<b>Total</b>	<b>501,946.69</b>	<b>143,340,916.27</b>	<b>-980,784.56</b>	<b>142,360,131.71</b>

This table shows that the Surrey district and borough councils be requested to make payments of sums totalling £143,340,916.27 due under precepts calculated in proportion to their Council Tax Band D equivalents. In addition a net deficit on collection funds will be paid, to the total value of £980,784.56.

## **PRECEPT PAYMENT DATES**

19 April 2021  
24 May 2021  
28 June 2021  
26 July 2021  
10 September 2021  
11 October 2021  
19 November 2021  
07 January 2022  
18 February 2022  
16 March 2022

## MEDIUM TERM FINANCIAL FORECAST

Surrey - Medium Term Financial Forecast Q3		January-2021			
£15 Precept, pay freeze, non pay 2% inflation	2020/21	2021/22	2022/23	2023/24	2024/25
<b>REVENUE COST BASE</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Base budget	235.1	250.0	261.7	270.5	276.3
Pay Inflation	4.5	0.6	4.1	4.3	4.4
Price Inflation	0.8	0.9	1.1	1.1	1.1
Base Assumptions	2.5	4.3	2.3	1.9	2.1
Unavoidable Costs	0.4	1.9	0.0	(0.0)	0.0
Cost of Change net	(2.4)	(1.2)	(0.1)	(0.6)	0.0
Service Growth	0.5	2.4	0.1	0.0	0.0
Estate Strategy Net Impact	0.4	0.0	0.1	4.2	(0.8)
Precept Investment	3.8	4.1	0.0	0.0	0.0
Operation Uplift	5.7	5.1	6.9	0.0	0.0
Total Cost Increases	16.3	18.1	14.6	10.9	6.7
Gross Budget Requirement	251.4	268.1	276.3	281.4	283.0
<b>Annual Savings Requirement</b>	<b>(1.4)</b>	<b>(6.4)</b>	<b>(5.9)</b>	<b>(5.1)</b>	<b>(6.4)</b>
<b>Total Gross Budget</b>	<b>250.0</b>	<b>261.7</b>	<b>270.5</b>	<b>276.3</b>	<b>276.6</b>
<b>FUNDING</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Home Office Grant	69.5	72.2	79.1	79.1	79.1
Revenue Support Grant	29.4	32.9	32.9	32.9	32.9
Council Tax Support Grant	9.2	9.2	9.2	9.2	9.2
Operation Uplift Performance	2.2	1.3	1.3	1.3	1.3
Specific Grant	2.0	2.0	2.0	2.0	2.0
Local Council Tax Scheme Grant		1.5			
General Reserves	0.0	0.0	0.0	0.0	0.0
Specific Reserves -					
Covid19		0.4			
Local Council Tax Scheme		(0.4)			
Estate Strategy	0.0	0.0	0.1	3.0	0.0
Cost of Change	0.0	0.0	0.0	0.0	0.0
Surplus/(deficit) on Council Tax Collection Fund	0.8	(0.8)	(0.4)	(0.4)	0.0
Base precept	130.5	137.0	143.4	146.3	149.2
Taxbase Improvement	1.4	(1.1)	0.0	0.0	0.0
Precept increase	5.1	7.5	2.9	2.9	3.0
<b>Total Funding</b>	<b>250.0</b>	<b>261.7</b>	<b>270.5</b>	<b>276.3</b>	<b>276.6</b>
<b>Financial Indicators</b>					
Funding Change	14.9	11.7	8.7	5.8	0.4
Cost Increase as % of base	6.9%	7.2%	5.6%	4.0%	2.4%
Total Budget Change	14.9	11.7	8.7	5.8	0.4
Total Budget Change	6.3%	4.7%	3.3%	2.2%	0.1%
<b>Band D £</b>	<b>270.57</b>	<b>285.57</b>	<b>291.28</b>	<b>297.11</b>	<b>303.05</b>
Band D Net precept increase %	3.84%	5.54%	2.00%	2.00%	2.00%
Precept Funding increase %	4.9%	4.7%	2.0%	2.0%	2.0%
Total Precept Receipt	137.0	143.4	146.3	149.2	152.2
Precept as % of Net Budget Requirement	55%	55%	54%	55%	55%
Grant as % of budget	45%	45%	46%	45%	45%
Net Budget Requirement	250.0	261.31	270.4	273.7	276.6
Net budget requirement movement %	6.8%	4.5%	3.5%	1.2%	1.1%
<b>Efficiency Savings Plan</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Strategic Change Programmes:</b>					
CIPFA Savings Proposals					
Red		0.0	0.0	0.0	
Amber		(2.1)	0.0	0.0	
Green		(4.3)	(0.1)	(0.1)	
Specialist Crime	(0.2)				
ICT	(0.5)				
Force	(0.7)				
<b>Total of Strategic Change Programme Savings:</b>	<b>(1.4)</b>	<b>(6.4)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.0</b>
<b>Annual Savings Requirement</b>	<b>(1.4)</b>	<b>(6.4)</b>	<b>(5.9)</b>	<b>(5.1)</b>	<b>(6.4)</b>
In Year Surplus/Deficit	0.0	0.00	(5.8)	(5.0)	(6.4)
Cumulative Surplus/Deficit	0.0	0.0	(5.8)	(10.8)	(17.2)

## APPENDIX C2

### MEDIUM TERM FINANCIAL FORECAST ASSUMPTIONS

Assumption		2021/22	2022/23	2023/24	2024/25
Capital Grant	£m	£0.20	£0.20	£0.20	£0.20
Main Policing Grant change		0.00%	0.00%	0.00%	0.00%
Revenue Support Policing Grant change		0.00%	0.00%	0.00%	0.00%
New Police Pension Grant		0.00%	0.00%	0.00%	0.00%
Council Tax Support Grant		0.00%	0.00%	0.00%	0.00%
Legacy Council Tax Freeze Grants		0.00%	0.00%	0.00%	0.00%
Operation Uplift Grant	£m	£5.10	£6.90	£	£
Precept (£15 one year increase)		5.54%			
Precept		5.00%			
Precept		2.00%	2.00%	2.00%	2.00%
Tax base increase		0.00%	0.00%	0.50%	0.50%
Local Council Tax Scheme	£m	£1.50			
Collection Surplus/(Deficit)	£m	-£0.40	-£0.40	-£0.40	£
Police Staff Pension Employer Contribution rate		16.50%	16.50%	16.50%	16.50%
Police Officer Pension Employer Contribution rate		31.00%	31.00%	31.00%	31.00%
Police Officer pay inflation		0%	2%	2%	2%
Police Staff pay inflation		0%	2%	2%	2%
Salary Increments	£m	£1.20	£1.20	£1.00	£1.10
South East Allowance	£m	£5.60			
General Price inflation		2%	2%	2%	2%
Investment Interest Returns		0.10%	0.10%	0.10%	0.10%
Income - Fees & Charges *1		No Change	No Change	No Change	No Change
Income - Specific Grants *2		No Change	No Change	No Change	No Change
General Reserve		3% NBR minimum	3% NBR minimum	3% NBR minimum	3% NBR minimum