

SURREY POLICE AND CRIME PANEL**SURREY POLICE GROUP MEDIUM TERM FINANCIAL PLAN
2019/20 TO 2022/23****19 September 2018****SUMMARY**

The purpose of this report is to inform the Police & Crime Panel about the Medium Term Financial Plan assumptions that are being made for the four year period 2019/20 to 2022/23.

1) Introduction

The Medium Term Financial Plan (MTFP) takes a four year broad look ahead at the range of likely financial environments in which Surrey Police is likely to be operating. Two versions of the MTFP are provided in this report to demonstrate to members of the Panel the probable range of options within which the Commissioner will be making the final decisions that will determine the proposals that he will present to the Panel's Precept Setting Meeting in February next year.

2). Appendix A

The first part of the appendix outlines the increase in the revenue cost base that we are expecting over the planning period. We have added a 2% increase for pay awards for each year of the MTFP period, for both police officers and police staff and have used the latest Bank of England CPI (Consumer Price Index) quarterly forecast to add in a 2.1% increase for non-pay inflation for 2019/20 and a 2% increase for each subsequent year. The figures added under the heading Other Avoidable Costs reflect the estimated cost of new contractual and statutory commitments which Surrey Police will have to meet in 2019/20, the principal increases relate to motor insurance £1 million, ill-health retirements £1 million, salary increments £1 million and revenue to capital transfers of £1.7 million which fund short-life asset replacements for things like vehicles and computer lap tops. The Cost of Change estimate in 2019/20 is to provide additional short-term funding to enable the proposed saving plan to be achieved and reflects that this will be paid back from savings that are generated over the later years of the planning period. We have included an Estate Strategy Net Impact line to cover the work up costs associated with the proposal to replace the outdated facilities at Mount Browne with a new more efficient Police Headquarters capable of providing the facilities needed to police effectively in the 21st Century. And the final provision that we have made is in respect of Service Growth, which relates primarily to having to invest in IT to make sure that our IT infrastructure remains both, up to date, effective and reliable.

The second part of Appendix A outlines the funding sources, which we estimate we will have access over the planning period. In this Appendix our estimates are based on a scenario which maximises the amount of income that the PCC can potentially raise from

the Police Precept and assumes that as was the case this year, the Government will maintain grant income at a flat cash level. Under current arrangements, subject to the police service as a whole achieving greater efficiency and productivity targets, it is likely that the PCC will be able to raise the Police Precept by a maximum of £12 on a Band D property for 2019/20 without having to hold a referendum and we have used that figure in compiling our projected precept figure. For future years we have assumed that after 2019/20 the maximum increase that government will allow in precept income, without the holding of a referendum will be 1.99%, and that government grant income will reduce by 1% per annum from 2020/21 onwards.

The third part of Appendix A shows a number of Financial Indicators that members may find interesting, particularly the line which shows Precept as a % of the Net Budget Requirement, demonstrating that Surrey tax payers in the current year pay 55% of the cost of Surrey Police to the Government's contribution of 45%, with that gap growing as we progress through the planning period.

The final part of Appendix A shows the Savings Plan that the Force needs to put in place to bridge the gap between the estimated costs of Surrey Police and the sources of funding. To date only £1.6 million of the Savings Plan of £12.2 million has been identified, giving rise to a deficit of £10.6 million, which will need to be eliminated by the identification of an equivalent amount of saving if a balanced MTFP position is to be achieved.

3). Appendix B

In terms of Appendix B the same figures have been used as in Appendix A, with the exception that the increase in the precept has been limited to an uplift of 1.99% in 2019/20, instead of applying the £12 maximum precept increase allowed by Government, which would represent a 5.07% increase on a Band D Council Tax.

The practical impact of limiting the precept increase to a 1.99% rise is that the savings target which has to be found over the planning period increases by £5.3 million. As to date only £1.6 million of planned savings has been identified this would mean that £15.9 million of additional savings would have to be identified over the planning period to produce a balanced MTFP.

4). Summary

The financial information given in the MTFP should not be considered in the same way as the figures given in the annual revenue budget setting papers. The annual revenue budget figures represent a formally approved financial plan which by law the PCC has to adhere to.

The MTFP is a more informal financial planning tool, which enables us to look ahead over a longer period of time and make reasonable assumptions about what financial environment Surrey Police will be operating in and plan accordingly to minimise any disruption that will be experienced over the planning period. The figures contained in the MTFP are not cast in stone and will be altered and adjusted as circumstances change, both nationally and locally, as they do not currently for instance take account of the impact that the United Kingdom leaving the European Union might have on inflation, interest rates and exchange rates, all of which could affect the Surrey Police Group MTFP. Nor have we taken into account possible changes in Government policy, which might for

instance increase the amount of money being top sliced from the national police grant that is given to individual forces and there is a built in assumption that the current years Revenue Budget will not be overspent.

The two appendices attached to this report while not guaranteed represent what we currently believe to be the reasonable parameters within which the Commissioner will need to make decisions regarding next year's formal revenue budget setting process and following on from this the precept proposal that he will bring to the Panel next February.

Ian Perkin
Treasurer & CFO

EQUALITIES & DIVERSITY IMPLICATIONS:

None arising.

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