

## **SURREY POLICE AND CRIME PANEL**

**OFFICE OF THE POLICE AND CRIME COMMISSIONER**

**MEDIUM TERM FINANCIAL PLAN (MTFP) 2019/20 to 2023/24**

**27<sup>th</sup> November 2019**

### **1. Introduction**

This paper provides the latest projections on the expected financial position of the Surrey Police Group for the period 2019/20 to 2022/23. It incorporates expected pay and non-pay inflation over the planning period and includes other unavoidable cost pressures. Costs for the Equip Programme will require further examination to take account of the financial impact that will be incurred following the change in the go live date. The planned Capital Programme and Capital Funding Proposals are also included in this paper, with the caveat that the ICT component of the strategy cannot be finalised until the annual update of IT projects is completed due to the fluid nature of the projects.

It should be noted that because of the impending General Election the Home Office have advised us that our planning assumptions cannot be firmed up in December, as would be the normal practice following the Chancellor of the Exchequers Autumn Statement. We have been advised that the decisions regarding central government funding for the Police Service and information on the precept setting limits for 2020/21 may not be confirmed until as late as mid-January 2020, depending on the outcome of the election, so potential possible variations to the planned assumptions made in the base scenario, that may be made following the election of a new Government are shown in Appendix B to this report.

## 2. Funding

The MTFP base scenario (Appendix A) contains a number of key assumptions, one of which is the increase in the level of precept expected, this is funding raised from Surrey council tax payers for policing. For 2019/20 the Police and Crime Commissioner increased the precept by the maximum amount of £24 without triggering a local referendum. The Police & Crime Panel subsequently endorsed the PCC's decision on 4<sup>th</sup> February 2019.

The planning assumption made for future years is that the maximum increase in precept from 2020/21 to 2023/24 will be limited to 1.99% without the need for a referendum.

In terms of central government funding, the assumption that has been made in the base scenario (Appendix A), is that this will remain at a flat cash level of £103.2 million (Home Office Grant £92m and Council Tax Support Grant £11.2m) over the whole of the planning period. These figures exclude the central government funding provided for Operation Uplift, as this will have a neutral impact on financial planning, as the funding will only be provided when the extra Police Officers are actually recruited.

The impact of possible likely variations on the base scenario assumptions for government funding and precept income are shown in Appendix B.

## 3. Inflation Assumptions

In constructing the base scenario allowance has been made for a 2% pay increase to be awarded to Police Officers on the 1<sup>st</sup> September during each year of the planning period and for Police Staff to have a pay rise of 2.5% from the 1<sup>st</sup> April 2020 (Police Officers had a 2.5% pay increase in the current financial year) and then an annual rise of 2% in each of the remaining years of the planning period. Non-pay inflation it is assumed will increase by 2.2% each year during the planning period, in-line with the Bank of England published inflation assumptions.

## 4. Savings Requirement

Once all the relevant assumptions have been applied to the MTFP Base Scenario, the amount of savings that will need to be identified to achieve a balanced financial position is £11.5m. At the current time, planned savings of £1.2m have been identified, leaving a further £10.3m to be identified over the planning period to eliminate the forecasted budget deficit.

## **5. The Capital Plan**

Based on the Fleet, Estate and ICT strategies a multi-year capital plan has been developed. The Estate Strategy is dependent on certain elements occurring during the year and on that basis this plan will be kept under continual review. The same applies to the ICT Strategy that has national and regional dependencies beyond the Force's control.

## **6. Recommendations**

The Police & Crime Panel is invited to comment and note the financial performance of the Office of the Police & Crime Commissioner for Surrey for the nine-month period ending 31st October 2019.

**David Munro Police & Crime Commissioner**

**12th November 2019**

### **EQUALITIES & DIVERSITY IMPLICATIONS:**

**None arising.**

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## Appendix A

## MTFP Base Scenario – October 2019

Surrey - Medium Term Financial Forecast Q3		October-2019				
Base Scenario: 1.99% precept increase		2019/20	2020/21	2021/22	2022/23	2023/24
REVENUE COST BASE		£m	£m	£m	£m	£m
Base budget		214.6	235.1	237.9	240.6	245.0
Pay Inflation		3.5	4.5	3.9	3.9	4.0
Price Inflation		0.8	0.8	1.0	1.0	1.0
Other Unavoidable Costs		9.1	3.5	2.2	1.6	1.4
Cost of Change net		2.9	(3.4)	0.3	(1.2)	(0.4)
Operation Uplift		0.0	0.0	0.0	0.0	0.0
Estate Strategy Net Impact		1.1	0.4	(0.3)	0.4	4.2
Precept Investment		3.8				
Service Growth		1.9	(0.0)	(1.5)	0.0	0.0
Total Cost Increases		23.1	5.7	5.6	5.7	10.2
Base Budget Adjustments						
Financial Provisions/Reserves						
Gross Budget Requirement		237.8	240.9	243.4	246.3	255.2
<b>Annual Savings Requirement</b>		<b>(2.7)</b>	<b>(3.0)</b>	<b>(2.8)</b>	<b>(1.3)</b>	<b>(4.4)</b>
<b>Total Gross Budget</b>		<b>235.1</b>	<b>237.9</b>	<b>240.6</b>	<b>245.0</b>	<b>250.8</b>

4 Year Future Savings Target £11.5m

FUNDING		2019/20	2020/21	2020/21	2022/23	2023/24
		£m	£m	£m	£m	£m
Home Office Grant		92.0	92.0	92.0	92.0	92.0
Council Tax Support Grant		11.2	11.2	11.2	11.2	11.2
Operation Uplift Grant		0.0	0.0	0.0	0.0	0.0
General Reserves		0.8	0.0	0.0	0.0	0.0
Specific Reserves -						
	Estate Strategy	(0.3)	0.6	(0.3)	0.4	2.4
	Cost of Change	0.6	0.0	0.0	0.0	0.0
Surplus/(deficit) on Council Tax Collection Fund		0.3				
Base precept		117.7	130.5	134.1	137.7	141.4
Taxbase Improvement		0.8	0.9	0.9	1.0	1.0
Precept increase		12.0	2.6	2.7	2.8	2.8
<b>Total Funding</b>		<b>235.1</b>	<b>237.9</b>	<b>240.6</b>	<b>245.0</b>	<b>250.8</b>

Financial Indicators		2019/20	2020/21	2020/21	2022/23	2023/24
Funding Change		20.5	2.7	2.7	4.4	5.8
Cost Increase as % of base		10.8%	2.4%	2.3%	2.4%	4.2%
Total Budget Change		20.5	2.7	2.7	4.4	5.8
Total Budget Change		9.6%	1.2%	1.1%	1.8%	2.4%
<b>Band D £</b>		<b>260.57</b>	<b>265.76</b>	<b>271.04</b>	<b>276.44</b>	<b>281.94</b>
Band D Net precept increase %		10.14%	1.99%	1.99%	1.99%	1.99%
Precept Funding increase %		10.9%	2.7%	2.7%	2.7%	2.7%
Total Precept Receipt		130.5	134.1	137.7	141.4	145.2
Precept as % of Net Budget Requirement		56%	57%	57%	58%	58%
Grant as % of budget		44%	43%	43%	42%	42%
Net Budget Requirement		234.0	237.3	240.9	244.6	248.4
Net budget requirement movement %		7.1%	1.4%	1.5%	1.5%	1.6%

Savings Plan		2019/20	2020/21	2021/22	2022/23	2023/24
		£m	£m	£m	£m	£m
<b>Strategic Change Programmes:</b>						
Savings Achieved Ahead of Schedule						
Specialist Crime		(0.6)	(0.2)	(0.1)	(0.1)	(0.1)
Operations Command		(0.1)	0.0	(0.1)	0.0	0.0
Contact		(0.3)	0.0	(0.1)	0.0	0.0
Local Policing		(0.6)	0.0	0.0	0.0	0.0
People Services		(0.0)	0.0	(0.3)	0.0	0.0
C&FS (incl Estates)		(0.7)	0.0	(0.0)	0.0	0.0
Corporate Services		(0.1)	0.0	0.0	0.0	0.0
ICT		(0.3)	0.0	0.0	0.0	0.0
<b>Total of Strategic Change Programme Savings:</b>		<b>(2.7)</b>	<b>(0.2)</b>	<b>(0.8)</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Annual Savings Requirement</b>		<b>(2.7)</b>	<b>(3.0)</b>	<b>(2.8)</b>	<b>(1.3)</b>	<b>(4.4)</b>
In Year Surplus/Deficit		0.0	(2.8)	(2.0)	(1.2)	(4.3)
Cumulative Surplus/Deficit		0.0	(2.8)	(4.8)	(6.0)	(10.3)

Planned savings £1.2m

Budget Deficit £10.3m

## Appendix B MTFP Possible Variations from Base Scenario – October 2019

Surrey - Summary of MTFP Scenarios		2020/21	2021/22	2022/23	2023/24	Total
Budget (gap) / surplus		£m	£m	£m	£m	£m
1	Precept 1.99% each year with a static grant	(2.8)	(2.0)	(1.2)	(4.3)	(10.3)
2	Precept £12 year 1 then 1.99% with a static grant	0.6	(1.9)	(1.1)	(4.2)	(6.6)
3	Precept £12 year 1 then 1.99% with 2% grant increase	1.4	1.0	-	-	2.4
4	Precept freeze and static grant	(5.4)	(2.1)	(1.2)	(4.3)	(13.0)
5	Precept freeze and static grant & 1% higher inflation each year	(7.2)	(4.4)	(3.6)	(6.7)	(21.9)
6	Precept 1.99% & 2% Grant each year	(1.0)	(0.1)	0.7	(2.3)	(2.7)

## Appendix C Capital Programme Summary & Funding October 2019

Capital Programme Summary	Year 1	Year 2	Year 3	Year 4	Year 5
DESCRIPTION	2019/20 (including c/fwd)	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
ICT Renewals	3.2	1.3	2.0	2.0	2.0
ICT New Schemes	1.9	1.7	1.0	1.0	1.0
Business Led IT Projects	4.0	1.8	-	-	-
Fleet Replacement and Equipment	3.6	4.1	3.3	3.7	3.9
Estate Strategy	6.8	1.8	4.4	17.7	24.9
Equipment	0.9	1.0	0.8	0.8	0.8
<b>Total</b>	<b>20.3</b>	<b>11.7</b>	<b>11.4</b>	<b>25.1</b>	<b>32.6</b>

Capital Programme Funding	Year 1	Year 2	Year 3	Year 4	Year 5
DESCRIPTION	2019/20 (including c/fwd)	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Capital Income Surplus brought forward	-	0.0	0.0	(0.0)	0.0
Revenue Contributions brought forward	-	-	-	-	-
Revenue Contributions Received in-year	3.9	4.2	5.2	6.2	7.2
Central Government Grant Received in-year	0.6	0.6	0.6	0.6	0.6
Other External Grants / Conts Received in-year	-	-	-	-	0.0
Other Capital Receipts	0.5	0.7	0.2	0.1	0.2
Estate Strategy Receipts	-	2.8	5.0	-	-
Estate Strategy Borrowing	2.2	-	-	17.7	24.9
Other Borrowing	8.7	4.2	1.3	0.7	-
<b>Total Capital Funding Available</b>	<b>16.0</b>	<b>12.5</b>	<b>12.3</b>	<b>25.3</b>	<b>32.9</b>