

SURREY POLICE AND CRIME PANEL

OFFICE OF THE POLICE AND CRIME COMMISSIONER

MEDIUM TERM FINANCIAL PLAN (MTFP) UPDATE 2020/21 to 2024/25

15 September 2020

1. Introduction

This paper provides a first look at the projections on the expected financial position of the Surrey Police Group for the period 2020/21 to 2024/25. The projection includes:

- Unavoidable costs, such as pay inflation, cost inflation and other known cost pressures.
- Years 2 and 3 of Operation Uplift investment (new officers) together with assumptions for future grant and precept changes.
- The Estate Strategy investment based on the November 2019 position although this is currently under review.
- The impact of the ICT strategy and plans as they are now.

This paper does not consider capital at the moment as the plan is being put together. However given the shortage of capital reserves there will be a greater reliance on revenue funding to meet capital investment needs in the future.

2. Funding

The 2020/21 financial settlement announced on Thursday 22nd January 2020 by the policing minister was the biggest increase in Police funding since 2010. Not only was the core grant increased but it also included additional funding to meet the pledge to increase police officers nationally by 20,000 over 3 years (Year 1 - 6,000). In addition, as in previous years, PCCs were able to raise local Band D precept by up to £10 without the need for a local referendum. This I did and the additional officers are already feeding through. I, like many others, thought that this settlement marked a change in funding for the Police after years of austerity – however how things have changed in those few months since January.

On 21st July 2020 the Chancellor announced that the “Comprehensive Spending Review¹ (CSR) would be published in the autumn and will set out the Government’s spending plans up to for the next 3 years. Given the impact COVID-19 has had on the economy, the Chancellor was clear there will need be tough choices in all areas of

spending at the review. As part of their preparations for the CSR departments have been asked to identify opportunities to reprioritise and deliver savings and so it is uncertain what this will mean for future funding. For the projection increases in core grant of between 0% and 2% have been assumed with no increases in other grants.

A further area of funding uncertainty is that around Council Tax. Due to Covid 19 Council Tax collection has suffered which may lead to a deficit of up to 3.5% locally. In addition tax base growth is likely to be minimal given the slowdown in housing delivery over the year so far. Although I have made the Government aware of both of these issues and they have promised assistance it is unclear what form this assistance may take. On top of this I also do not know what the Government's view will be on Council Tax rises. Recent years have seen larger rises permitted in order to deliver extra policing but whether this will continue in the current economic climate is hard to judge. Hence for planning purposes increases of between 0 and 1.99% have been used.

Finally the Government has also said that it is minded to review the Police funding formula over the CSR period. Whilst this is unlikely to be done in time for the 2021/22 settlement it could have a huge impact in future years. Surrey residents already pay amongst the highest proportion of police costs from Council Tax in the country and I would not want to see that proportion increase even further due to funding reductions driven by a formula review. It will be essential that the voice of Surrey is heard by Government when the review is announced.

A summary of all the assumptions is attached as Appendix A.

3. Scenarios

As there is such a high level of uncertainty 3 budget scenarios have been prepared, together with the results, as set out below:

Surrey - Summary of MTFF Scenarios		2021/22	2022/23	2023/24	2024/25	Total
Annual Savings Requirement		£m	£m	£m	£m	£m
1	Precept 1.99% with a 2% grant increase, inflation at 1%	(1.3)	(0.4)	(1.8)	(1.1)	(4.6)
2	Precept 1.99% with a 1% grant increase, inflation at 2%	(4.7)	(3.8)	(5.3)	(4.7)	(18.5)
3	Precept 0.0% with a 0% grant increase, inflation at 2%	(8.8)	(7.3)	(9.0)	(7.8)	(32.9)

In terms of more general sensitivity in rough terms:

- 1% of inflation costs £2.5m
- 1% grant is £0.7m
- 1% precept is £1.4m

Therefore an increase in inflation will increase the budget gap and hence the savings requirement by £2.5m whereas an increase of 1% in the precept will reduce the gap by £1.4m.

A more detailed projection for scenario 2, the most likely, is attached as Appendix B.

4. Conclusions

As can be seen in the table above it is highly likely after only 1 year of stability the Force may again have to make quite substantial savings if it is to balance its budget. It is no understatement to say that these savings will be challenging to deliver, given the efficiencies already achieved, without impacting services. However I will do everything I can, working with the Force, to minimise that impact on residents.

I and my fellow PCCs have been lobbying Government to ensure that they understand the challenges that the Police faces and that these are taken account of in the spending review. I await to see what the outcome of that will be.

An updated forecast will be prepared and presented to the panel at a later date when further information is available.

5. Recommendations

The Panel are requested;

- a) To note the initial outcome of the forecast, the likely need for additional savings and the challenge that this will present;
- b) To note the current assumptions being employed in the scenarios and the risks therein;
- c) To comment as appropriate.

David Munro Police & Crime Commissioner

15th September 2020

EQUALITIES & DIVERSITY IMPLICATIONS:

None arising.

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MTFP Base Scenario – October 2019

Appendix A – Surrey Assumptions Table

Scenario	Assumption	2020/21	2021/22	2022/23	2023/24	2024/25
All	Capital Grant	£0.2m	£0.2m	£0.2m	£0.2m	£0.2m
1	Home Office Core Grant % increase	7.5%	2.0%	2.0%	2.0%	2.0%
2	Home Office Core Grant % increase	7.5%	1.0%	1.0%	1.0%	1.0%
3	Home Office Core Grant % increase	7.5%	0.0%	0.0%	0.0%	0.0%
All	Home Office Core Grant - Op Uplift - per officer		£0.062	£0.067		
All	Op Uplift Officers FTE	78.00	104.00	78.00		
All	Revenue Support Grant £m	£29.4	£29.4	£29.4	£29.4	£29.4
All	Legacy Council Tax Freeze Grants £m	£9.2	£9.2	£9.2	£9.2	£9.2
All	Operation Uplift Performance Grant £m	2.2	No clarity over the continuation of grant assume £2.2m fixed each year			
All	New Police Pension Grant £m	£2.0	£2.0	£2.0	£2.0	£2.0
All	Precept (£10 per year increase)	3.84%				
1&2	Precept (1.99% per year increase)		1.99%	1.99%	1.99%	1.99%
3	Precept (0% per year increase)		0.00%	0.00%	0.00%	0.00%
All	Tax base increase	1.06%	0.00%	0.00%	0.00%	0.00%
1&2	Collection Surplus/(Deficit) million	£0.77	£(1.00)	£(1.00)	£(1.00)	£0.00
3	Collection Surplus/(Deficit) million	£0.77	£(1.67)	£(1.67)	£(1.67)	£0.00
All	Police Staff Pension Employer Contribution rate	16.50%	16.50%	16.50%	16.50%	16.50%
All	Police Officer Pension Employer Contribution rate	31.00%	31.00%	31.00%	31.00%	31.00%
1	Employee pay inflation		1%	1%	1%	1%
2&3	Employee pay inflation		2%	2%	2%	2%
1	General Price inflation		1%	1%	1%	1%
2&3	General Price inflation		2%	2%	2%	2%
All	Police officer salary increments £m	£0.8	£1.0	£1.0	£0.8	£0.9
All	Police staff salary increments £m	£0.2	£0.2	£0.2	£0.2	£0.2
All	Police Officer vacancy rate	2.0%	2.0%	2.0%	2.0%	2.0%
All	Police staff vacancy rate	6.0%	6.0%	6.0%	6.0%	6.0%
All	Income - Fees & Charges *1	No Change	No Change	No Change	No Change	No Change
All	General Reserve	3% NBR minimum	3% NBR minimum	3% NBR minimum	3% NBR minimum	3% NBR minimum
All	Use of Reserves		nil	nil	nil	nil
All	Revenue Funding of Capital £m increase each year		£1.0	£1.0	£1.0	£1.0
	*1 subject to review of COVID19 impact					

Appendix B – Realistic MTFF Scenario

Surrey - Medium Term Financial Forecast Q1		August-2020					
Realistic Scenario: 1.99% Precept, 1% grant & 2% inflation Increase		2020/21	2021/22	2022/23	2023/24	2024/25	Total
REVENUE COST BASE		£m	£m	£m	£m	£m	£m
Base budget		235.1	250.0	258.2	267.2	273.3	
Pay Inflation		4.5	4.3	4.2	4.4	4.5	
Price Inflation		0.8	0.9	1.0	1.0	1.0	
Other Unavoidable Costs		3.0	3.2	2.3	1.9	2.1	
Cost of Change net		(2.4)	(1.4)	(0.1)	(0.1)	0.0	
Service Growth		0.5	(0.3)	0.0	0.0	0.0	
Estate Strategy Net Impact		0.4	(0.3)	0.4	4.2	(0.8)	
Precept Investment		3.8	0.0	0.0	0.0	0.0	
Operation Uplift		5.7	6.4	5.2	0.0	0.0	
Total Cost Increases		6.3	12.9	12.9	11.3	6.7	
Gross Budget Requirement		251.4	262.9	271.1	278.6	280.0	
Annual Savings Requirement		(1.4)	(4.7)	(3.8)	(5.3)	(4.7)	(18.5)
Total Gross Budget		250.0	258.2	267.2	273.3	275.3	

4 Year Future Savings Target £18.5m

FUNDING		2020/21	2021/22	2022/23	2023/24	2024/25
		£m	£m	£m	£m	£m
Home Office Grant		69.5	76.7	82.6	83.5	84.3
Revenue Support Grant		29.4	29.4	29.4	29.4	29.4
Council Tax Support Grant		9.2	9.2	9.2	9.2	9.2
Operation Uplift Performance		2.2	2.2	2.2	2.2	2.2
Specific Grant		2.0	2.0	2.0	2.0	2.0
General Reserves		0.0	0.0	0.0	0.0	0.0
Specific Reserves -						
Estate Strategy		0.0	0.0	0.4	2.7	0.0
Cost of Change		0.0	0.0	0.0	0.0	0.0
Surplus/(deficit) on Council Tax Collection Fund		0.8	(1.0)	(1.0)	(1.0)	0.0
Base precept		130.5	137.0	139.7	142.5	145.3
Taxbase Improvement		1.4	(0.0)	0.0	0.0	0.0
Precept increase		5.1	2.7	2.8	2.8	2.9
Total Funding		250.0	258.2	267.2	273.3	275.3

Financial Indicators						
Funding Change		14.9	8.1	9.1	6.0	2.0
Cost Increase as % of base		6.9%	5.1%	5.0%	4.2%	2.5%
Total Budget Change		14.9	8.1	9.1	6.0	2.0
Total Budget Change		6.3%	3.3%	3.5%	2.3%	0.7%
Band D £		270.57	275.95	281.45	287.05	292.76
Band D Net precept increase %		3.84%	1.99%	1.99%	1.99%	1.99%
Precept Funding increase %		4.9%	2.0%	2.0%	2.0%	2.0%
Total Precept Receipt		137.0	139.7	142.5	145.3	148.2
Precept as % of Net Budget Requirement		55%	54%	53%	54%	54%
Grant as % of budget		45%	46%	47%	46%	46%

Efficiency Savings Plan		2020/21	2021/22	2022/23	2023/24	2024/25
		£m	£m	£m	£m	£m
Strategic Change Programmes:						
Specialist Crime		(0.2)	(0.1)	(0.1)	(0.1)	0.0
Operations Command		0.0	(0.1)	0.0	0.0	0.0
Local Policing		0.0	0.0	0.0	0.0	0.0
Contact		0.0	0.0	0.0	0.0	0.0
People Services		0.0	(0.3)	0.0	0.0	0.0
C&FS (incl Estates)		0.0	(0.0)	0.0	0.0	0.0
Corporate Services		0.0	0.0	0.0	0.0	0.0
ICT		(0.5)	0.0	0.0	0.0	0.0
Force		(0.7)	(0.1)	0.0	0.0	0.0
Total of Strategic Change Programme Savings:		(1.4)	(0.8)	(0.1)	(0.1)	0.0
Annual Savings Requirement		(1.4)	(4.7)	(3.8)	(5.3)	(4.7)
In Year Surplus/Deficit		0.0	(3.9)	(3.7)	(5.2)	(4.7)
Cumulative Surplus/Deficit		0.0	(3.9)	(7.6)	(12.8)	(17.5)

Planned savings £1.0m

Budget Deficit £17.5m

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