

SURREY POLICE AND CRIME PANEL

15 SEPTEMBER 2021

OFFICE OF THE POLICE AND CRIME COMMISSIONER
MEDIUM TERM FINANCIAL PLAN (MTFP) UPDATE 2021/22 TO
2025/26

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1. Introduction

Each year, as part of the budget setting process, a MTFP is prepared in order to show that the Force is financially sustainable in the medium term.

As it is still early in the financial year the MTFP is still under development and this will be refined as the year progresses up to budget setting when more information should be available.

The MTFP covers a 4 year period and is prepared by estimating future costs and income. Whilst there is a significant degree of uncertainty in some of the assumptions used in the forecast it does at least give an initial indication as to the scale of the potential financial challenges the Force needs to address in the future.

2. Costs and Income

Pay is by far the biggest cost within the Force. The cost of increments has been calculated and an estimate made in respect of pay increases, which have been assumed to be 2% after 21/22. The assumption within the MTFP is that these increases will not be funded specifically by Government and hence give rise to a cost pressure.

Capital has not been considered as schemes are assumed to be self-funding or funded within the existing revenue to capital transfer. As there are minimal capital reserves capital can only be funded by revenue or loans.

3. Funding

There is a significant degree of uncertainty in respect of future funding from the Government. The settlement for 21/22 was meant to be the 1st of a 3 year settlement but the Comprehensive Spending Review was deferred by 1 year to 22/23. The Government has not given any specific indications as to what future funding could be.

However the country's finances have been hit adversely by Covid and hence the probability of an increase in funding is likely to be small. The Government has said that they do not foresee the reintroduction of austerity leading to cash funding cuts but it cannot be ruled out entirely. However I and my fellow PCCs will be making the strongest case to Government in the Spending Review that the Police needs to be adequately funded.

For the purposes of the forecast it has been assumed that the grant will stay the same in cash terms but reduce in real terms. The Uplift program is due to end in 2021/22 and there is no indication that this will continue. Whilst base costs for the last 2 years have been funded increases in costs, say as officers move up the pay scale, will be an increasing pressure on Force's finances.

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 2022/23 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 will be making sure that the voice of Surrey is heard by Government when the review is announced. However it is worth remembering that changes to the Formula only impacts the relative share of resources that each Force gets it does not change the overall level of resources available to policing in general.

A further area of funding uncertainty is that around Council Tax. Due to Covid 19 Council Tax collection has been challenging and fewer new properties have been built. It has been assumed for the MTFP that Council Tax increases will be capped at 2% and the base will rise by 0.5% from 2023/24 onwards. Recent years have seen the Government allow larger Council tax increases in order to deliver extra resources to Policing but it is too early to say whether this will freedom will be offered in the future.

4. Savings Requirement

This first draft MTFP shows that there is a significant potential savings requirement that the Force will need to achieve if it is to balance its budget over the medium term.

The results are summarised in the table below:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
In year savings	6.4	6.0	4.9	5.4	3.8
Cumulative Savings		6.0	10.9	16.3	20.1

The Force is currently looking in to how these savings can be delivered.

5. Risks

There are significant risks around the assumptions which can have big impacts (positive and negative) on the MTFP. For example pension costs could change as a result of the actuarial review in 2023/24 or the Government may impose another public sector pay freeze. Similarly the tax base may grow quickly or inflation push costs higher. However it is prudent to assume that whatever happens the level of savings required is unlikely to reduce hence the need to plan ahead to meet this challenge. If the Force is fortunate enough to find that actually these savings are not required then they can be invested in services.

Further modelling will be done later in the year to look at a number of different scenarios to see and the impact these have on the Forces savings requirement.

6. Conclusions

As can be seen in the table above initial estimates indicate that the Force will need to make £20m of savings in the period from 2022/23 to 2025/26 in order to balance its budget. This gap is created simply by costs rising due to inflation and yet funding staying flat – it is not as a result of any increase in services. It is no understatement to say that these savings will be challenging to deliver, given the efficiencies already achieved, without impacting services. As staff costs are the largest element of expenditure most of the savings would need to come through reducing headcount. It is not possible to reduce police officers at the moment because of Uplift so it is police staff who would bear the brunt of any cuts. I will do everything I can, working with the Force, to minimise that impact on residents but I cannot guarantee that there will be no impact at all.

I and my fellow PCCs will also work to ensure that the Government understands the funding pressures Policing faces during the current spending review discussions.

The forecast will be updated as more information becomes available and will be presented to the Panel as part of the precept setting process later in the year.

7. 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.

8. Equalities & Diversity Implications

None arising.

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Appendix A – Realistic MTFF Scenario

		Surrey - Medium Term Financial Forecast Q1							
		Jul-21							
		2021/22	2022/23	2023/24	2024/25	2025/26			
		Em	Em	Em	Em	Em	Em		
Inflation	<ul style="list-style-type: none"> Pay at 2% for police officers Pay at 2% for police staff Non Pay 2.0% 	REVENUE COST BASE						Estate Strategy	<ul style="list-style-type: none"> The financial appraisal needs to be reviewed in connection with the MTFF
Base Assumptions	<ul style="list-style-type: none"> Funding of capital programme £1m / year Salary drift £1.1m /year 	250.0	261.7	270.7	276.8	278.2		Operation Uplift	<ul style="list-style-type: none"> The last of the 3 year plan to increase police officers nationally, Surrey allocation estimate is 104
Other Unavoidable Costs	<ul style="list-style-type: none"> None identified yet 	0.6	4.1	4.3	4.4	4.4			
Cost of Change	<ul style="list-style-type: none"> Sharepoint and Joint Enquiry Team Funding out and ESN funding in 	0.9	1.1	1.1	1.2	1.2			
Service Growth	<ul style="list-style-type: none"> Part year Unified Communications project funding 	4.3	2.4	2.0	2.1	2.1			
Government Grant	<ul style="list-style-type: none"> Home Office grants flat apart from Op Uplift funding 	1.9	-	-	-	-			
Reserves	<ul style="list-style-type: none"> Maintain general reserves at 3% or above No use of reserves in this plan 	(1.2)	(0.1)	(0.6)	-	-			
		2.4	0.1	(0.0)	-	-			
		4.1	-	4.2	(0.8)	-			
		5.1	6.9	-	-	-			
		18.1	15.0	11.0	6.7	7.6			
		268.1	276.7	281.7	283.5	285.8			
		(6.4)	(6.0)	(4.9)	(5.4)	(3.8)			
		261.7	270.7	276.8	278.2	282.0			
		4 Year Future Savings Target £20.1m							
		FUNDING							
		2021/22	2022/23	2023/24	2024/25	2025/26			
		Em	Em	Em	Em	Em			
		72.2	80.4	80.4	80.4	80.4			
		32.9	32.9	32.9	32.9	32.9			
		9.2	9.2	9.2	9.2	9.2			
		1.3	-	-	-	-			
		2.0	2.0	2.0	2.0	2.0			
		1.5	-	-	-	-			
		(0.0)	-	-	-	-			
		0.6	-	-	-	-			
		(0.4)	-	-	-	-			
		-	0.4	2.8	-	-			
		-	-	-	-	-			
		(1.0)	(0.4)	(0.4)	-	-			
		137.0	143.3	146.2	149.9	153.6			
		(1.2)	-	0.7	0.7	0.8			
		7.5	2.9	2.9	3.0	3.1			
		261.7	270.7	276.8	278.2	282.0			
		Financial Indicators							
		11.7	9.0	6.1	1.4	3.9			
		7.2%	5.7%	4.1%	2.4%	2.7%			
		11.7	9.0	6.1	1.4	3.9			
		4.7%	3.4%	2.3%	0.5%	1.4%			
		270.57	291.28	297.11	303.05	309.11			
		3.89%	2.00%	2.00%	2.00%	2.00%			
		4.94%	1.70%	2.21%	2.51%	2.51%			
		137.0	146.2	149.9	153.6	157.5			
		55%	54%	55%	55%	56%			
		45%	46%	45%	45%	44%			
		250.0	270.3	274.4	278.2	282.0			
		6.8%	3.4%	1.5%	1.4%	1.4%			
		Efficiency Plan							
		2021/22	2022/23	2023/24	2024/25	2025/26			
		Em	Em	Em	Em	Em			
		-	-	-	-	-			
		-	-	-	-	-			
		(2.1)	-	-	-	-			
		(4.3)	(0.1)	(0.1)	-	-			
		(6.4)	(0.1)	(0.1)	-	-			
		(6.4)	(6.0)	(4.9)	(5.4)	(3.8)			
		-	(5.9)	(4.8)	(5.4)	(3.8)			
		-	(5.9)	(10.7)	(16.1)	(19.9)			
		Planned savings £0.2m							
		Budget Deficit £19.9m							
		Central versus local funding						<ul style="list-style-type: none"> Ratio could be 56% local by 2025/26 	
		Surplus on collection						<ul style="list-style-type: none"> Surplus or deficit on the collection fund operated by borough councils (billing authorities) actuals where known and deficit spread in 2022/23 & 2023/24 nil assumed for future years as they will be allocated to reserves 	
		Precept						<ul style="list-style-type: none"> 2.0% on Band D in each of the future years 	
		Tax base						<ul style="list-style-type: none"> Nil increase for 2022/23 and 0.5% increase assumed over rest of the planning period 	
		Budget Gap						<ul style="list-style-type: none"> There is a budget deficit of £19.9m over the four year period 	
		Savings Requirement						<ul style="list-style-type: none"> Total savings required at flat grant reduction £20.1m Estimated savings of £0.2m are planned 	

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