

**ORIGINATOR: PCC T/CFO and CC CFO**

**DECISION NUMBER: 3 - 2022**

**REASON FOR SUBMISSION: FOR DECISION**

**SUBMITTED TO: POLICE AND CRIME COMMISSIONER**

**SUBJECT: MEDIUM TERM FINANCIAL PLAN 2022/23 TO 2025/26**

**SUMMARY:**

1. The draft Medium Term Financial Plan (MTFP) attached sets out the key financial issues facing the PCC and Constabulary over the period 2022/23 to 2025/26.
2. The draft MTFP includes information and recommendations relating to the revenue budget, capital programme and associated financing issues, together with a financial appraisal of two precept options.

**RECOMMENDATION:**

It is recommended that:

1. The PCC considers the attached draft MTFP and approves the recommendations contained in section 8 of the report.
2. When setting the precept level and council tax requirement, consideration is given by the PCC to the medium-term financial implications of options 1 and 2, the assessment of financial risks detailed within the MTFP, and the Chief Constable's commentary on the financial position.

**APPROVAL BY: PCC**

The recommendations set out above are agreed.

A handwritten signature in black ink, appearing to read "Tim Parry". The signature is written in a cursive style with a large initial 'T'.

**Signature:**

**Date: 17.01.2022**

## DETAIL OF THE SUBMISSION

### 1. KEY ISSUES FOR CONSIDERATION:

1.1 This report covers the spending proposals and key issues relating to the medium-term financial plan (MTFP) for the period 2022/23 to 2025/26. It provides the Police and Crime Commissioner (PCC) with information relating to the revenue budget, capital programme and council tax options, together with associated financing issues.

1.2 It is recommended that the PCC takes account of the overall financial strategy, when considering the 2022/23 budget proposals, and

- Approves the planned revenue changes summarised in **Appendix B**;
- Approves the savings plans in **Appendix C**;
- Approves the proposed capital programme for 2022/23 and the draft capital programme over the medium term as set out at **Appendix D**;
- Approves the capital strategy in **Appendix E**;
- Approves the proposed use and transfer of reserve balances in **Appendix F**;
- Approves the MRP policy and statement in **Appendix G** noting that no changes to the MRP policy are proposed for 2022/23 and throughout the MTFP period;
- When setting the precept level consideration is given to the medium-term financial implications of options 1 and 2, the assessment of financial risks contained in this report and the Chief Constable's commentary on the financial position.

1.3 The report also asks the PCC to consider the medium-term financial impact of:

- **Option 1** – increase Band D council tax by 2% (£4.68) in 2022/23 and by 2% in the remaining 3 years of the MTFP period.
- **Option 2** – increase Band D council tax by 4.2% (£9.99) in 2022/23 and by 2% in the remaining 3 years of the MTFP period.

### 2. FINANCIAL IMPLICATIONS:

2.1 The purpose of the MTFP is to provide the PCC with sufficient information to enable informed decisions to be taken with regard to the revenue and capital plans, associated financial issues, precept level and council tax requirement.

2.2 The two alternative budget options are proposed to the PCC for consideration, the financial consequences of which are contained in **Appendices A(i) and A (ii)** of the MTFP. These are summarised below:

#### **Option 1**

2.3 Based on the planning assumptions set out in this report, this option would result in the Constabulary delivering a balanced budget in 2022/23. There would be no surplus precept funding for further investment.

## **Option 2**

2.4 Based on the planning assumptions set out in this report, this option would result in the Constabulary delivering a balanced budget and additional funding of £1.4m more than Option 1 allowing investment in the following additional activity:

- **Improving and transforming the Contact and Control Room** to provide the public with a more efficient, effective and modern service when contacting the Constabulary.

## **3. OTHER IMPLICATIONS AND RISKS:**

3.1 None.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
Has legal advice been sought on this submission?	No
Has the PCC's Chief Finance Officer been consulted?	Yes
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	No
Have human resource implications been considered?	Yes
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Yes
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	Yes
Has communications advice been sought on areas of likely media interest and how they might be managed?	Yes
Have all relevant ethical factors been taken into consideration in developing this submission?	Yes

**APPROVAL TO SUBMIT TO THE DECISION-MAKER**

**Chief Executive**

I am satisfied that relevant advice has been taken into account in the preparation of the report and that this is an appropriate request to be submitted to the PCC.

**Signature:**



**Date: 17.01.2022**

# Suffolk Police and Crime Commissioner

## Medium-Term Financial Plan

2022/23 to 2025/26

Report to

**The Police and Crime Panel**

January 2022



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## 1. INTRODUCTION

- 1.1 This report covers the spending proposals and key issues relating to the medium-term financial plan (MTFP) for the period 2022/23 to 2025/26. It provides the Police and Crime Commissioner (PCC) with information relating to the revenue budget, capital programme and council tax options, together with associated financing issues.
- 1.2 The report contains the following appendices that provide more detailed information relating to the proposals.

### Table 1: List of appendices

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**Appendix A** - Medium Term Financial Plan: 4-year Overview – Options 1 and 2

**Appendix B** - Planned Revenue Changes 2022/23 to 2025/26 – Options 1 and 2

**Appendix C** - Savings Plan 2022/23 to 2025/26

**Appendix D** - Capital Programme 2022/23 to 2025/26

**Appendix E** - Capital Strategy

**Appendix F** - Reserves Strategy

**Appendix G** - Minimum Revenue Provision Statement

**Appendix H** - Precept Level and Council Tax Requirement Options

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### The Funding Context

- 1.3 There has been significant new investment in policing from 2020/21 following the government's announcement to increase police officer numbers nationally by 20,000 over the following three years. This has continued into 2022/23 with a further increase of £550m in government funding for recruitment of an additional 8,000 officers by the end of March 2023, the third and final year of the Police Uplift Programme. As part of the Spending Review 2021, PCCs were empowered to increase their Band D precept by up to £10 in 2022/23, without the need to call a local referendum. This would contribute an additional £246m of funding for local policing across England and Wales if all PCCs chose to maximise their flexibility.
- 1.4 The government expects over £100m of cashable efficiency savings delivered from force budgets by 2024/25. For 2022/23, it expects £80m of efficiency savings. These are expected to be delivered through a combination of improved procurement practices and savings in areas including estates, agile working and continued investment in modern technology and shared/ enabling services.

- 1.5 In common with other forces, the Constabulary continues to face increasing demands on service due to the changing nature of crime. Whilst Suffolk remains a safe county, the Constabulary is dealing with increases in reports of knife crime and youth violence, domestic abuse, rape and serious sexual offences, adult and child abuse and allegations of cyber-enabled crime including fraud. These are some of the most complex and demanding investigations the Constabulary has to undertake and require a highly skilled workforce. As a result, the Constabulary is facing some significant cost pressures that are addressed in this MTFP.
- 1.6 Suffolk Constabulary continues to deal with the impact of the shortage in resources of other public sector partners, in particular mental health and ambulance services, often resulting in it having to absorb additional demand from these areas as the 'emergency service of last resort'.
- 1.7 To remain as efficient as possible and make best use of increased funding, in 2022/23 the Constabulary will continue to invest in and refresh its processes and technologies that keep the policing model fit-for-purpose and able to meet increasing demand and the changing nature of crime. This investment is significant and has a direct impact on the revenue budget.

#### **Service and Financial Planning Process and Consultation**

- 1.8 Since 2010, the Constabulary has been running a successful change programme that has delivered savings of £36.4m. A significant portion of that programme has been delivered through collaboration with Norfolk Constabulary (see [paragraphs 2.18 to 2.21](#)).
- 1.9 A joint Suffolk and Norfolk financial planning process has been on-going over recent months in accordance with an agreed timetable. An enhanced service and financial planning process has been developed using outcome based budgeting (OBB) principles and an OBB modelling tool.
- 1.10 OBB is a method for aligning budgets to demand, performance, outcomes and priorities. This approach analyses the Constabulary's activity spend in terms of budgets, police officer and staff numbers, performance, demand and outcomes. This information is then matched against the priorities and demands of the Constabulary and PCC. This allows projects to be developed to target areas that can be made more efficient, as well as reviewing areas requiring further investment.
- 1.11 Heads of Department presented savings and investment proposals, which were modelled against the impact on budgets and outcomes. These outcomes were then reviewed by a joint chief officer panel against the OBB principles and

decisions made about balancing growth with savings. An updated view of the Constabulary's change programme has also been prepared.

- 1.12 These outputs were presented to the joint chief officer team, and further refined after these sessions. The process concluded with agreement on 'Suffolk only' budgets, the agreement of joint budgets and costs and savings arising from the process to be included in spending plans. Given the levels of savings to be found it is important that the change programme is sustained over the medium-term to ensure that savings are achieved in a timely fashion and that annual budgets are balanced.
- 1.13 PCC decisions regarding the annual budget proposals are made in the context of the medium to longer-term forecasts. The budget proposals within the report are made within the context of a rolling four-year strategic and financial planning cycle, including the current year. The figures contained within the strategy are based upon current information and stated assumptions.
- 1.14 In accordance with the requirements of Section 96(1)(b) of the Police Act 1996, as amended by section 14 of the Police Reform and Social Responsibility Act 2011, the PCC has an obligation to obtain the views of the people of Suffolk and ratepayers' representatives.
- 1.15 A public survey on the PCC's proposal for the precept increase will capture the views of Suffolk residents to the question:
- 'As a council taxpayer in Suffolk do you agree with my proposal to increase the policing element of the council tax for 2022/23 by 19p a week?'
- 1.16 The survey concludes on 27 January 2022 and the results will be presented at the Police and Crime Panel on 28 January 2022.

## 2. REVENUE BUDGET 2022/23

### Home Office Grant 2022/23

- 2.1 The government published the provisional police funding settlement for 2022/23 on 16 December 2021. As in recent years the government has issued a one-year funding settlement for PCCs.
- 2.2 The proposals in this report are based on the settlement for the police main grant and legacy council tax grants announced by the Home Office; the Constabulary's share of uplift officer numbers nationally by 8,000 by the end of March 2023; provisional local tax base figures and planning assumptions regarding future funding levels, on-going commitments and capital expenditure plans.
- 2.3 **Table 2** below provides a comparison between the 2022/23 and 2021/22 grant settlement. Figures for 2020/21 are included for information.

**Table 2: Grant funding 2021/22 and 2022/23**

	2020/21	2021/22	2022/23	Variance
	£m	£m	£m	%
Police Main Grant	68.8	73.1	77.5	6.0
Legacy Council Tax Grants	6.8	6.8	6.8	-
<b>Total General Grant Allocation</b>	<b>75.6</b>	<b>79.9</b>	<b>84.3</b>	<b>5.5</b>

- 2.4 The police main grant has increased by £4.4m or 6.0% in 2022/23. This is the Constabulary's share of an additional £550m for the recruitment of 8,000 additional officers by the end of March 2023, the third and final year of the Police Uplift Programme. Of this amount, £135m will be ringfenced and paid to forces in line with their progress towards their recruitment target (see [paragraph 2.6](#)).
- 2.5 The legacy council tax grants are based on two historic elements. The first element is for former council tax freeze grants of £1.9m relating to the decision to freeze the council tax in 2011/12, 2013/14 and 2014/15. The second element relates to the council tax support grant of £4.9m that has been payable since April 2013 when the government made significant changes to council tax benefit arrangements. The legacy council tax grants have been maintained at previous years' levels for 2022/23.
- 2.6 In addition to the general grant funding shown in **Table 2** above is the Constabulary's share of the £135m ringfenced specific grant for the Police Uplift Programme for 2022/23. This amounts to £1.2m. This has been allocated in line

with the police funding formula. Together with the increase in the police main grant this covers the additional costs for an uplift of 72 officers in Suffolk (68 for territorial policing and 4 for the eastern region serious and organised crime unit) and for additional infrastructure and support costs to support all additional offers for the period to March 2023.

- 2.7 Finally, a specific grant of £1.2m to cover an element of the increased employer contributions for the police officer pension schemes and awarded annually will continue to be received in 2022/23.

#### **Grant Damping and the Police Funding Formula**

- 2.8 The Home Office has commenced a project to consider the police funding formula. The results of this project will not be published until 2022/23 at the earliest. As a result, there are no changes to grant damping in 2022/23.
- 2.9 Funding from the Ministry of Justice of £1.2m for victims' services and restorative justice services for 2022/23 has been included in the MTFP for both grant income and planned expenditure. This is a provisional amount based on the grant received in 2021/22.

#### **Council Tax Base**

- 2.10 The Council Tax base, which is a key factor in the calculation of the precept, is based on information received from the borough, district and county councils. The councils have forecast an increase in the tax base of 2.9% for 2022/23 compared to a reduction in the tax base of 1.05% in 2021/22 as a consequence of the coronavirus pandemic. The MTFP assumes a 2.9% increase in the tax base in 2022/23 and a 1% annual increase over the remainder of the MTFP planning period, in line with pre-pandemic trends.

#### **The Budget and Precept Options 2022/23**

- 2.11 **Table 3** summarises the 2022/23 income position under the following precept options:
- **Option 1 (2.0%)** - £4.68 increase in Band D council tax in 2022/23 and
  - **Option 2 (4.2%)** - £9.99 increase in Band D council tax in 2022/23

**Table 3:** Summary of income 2022/23

	Option 1 (2.0%)	Option 2 (4.2%)
	£m	£m
Police main grant	77.5	77.5
Legacy council tax grants	6.8	6.8
<b>Precept income</b>	<b>63.9</b>	<b>65.3</b>
Other income	11.4	11.4
<b>Total income in 2022/23</b>	<b>159.6</b>	<b>161.0</b>

- 2.12 The referendum limit, which provides a ceiling on precept increases above which a PCC needs to hold a referendum, has been set at £10 for a Band D property for the three years from 2022/23 to 2024/25.

#### Assumptions in the Financial Model

- 2.13 The MTFP remains consistent in providing for; pay and price increases; growth to meet demand and service pressures; a significant change programme to make the required cost reductions; the use of reserves to support one off costs; invest to save measures; and the continued investment in modernising and improving technology and services.
- 2.14 The MTFP has been prepared using the following financial assumptions:

**Table 4:** MTFP planning assumptions 2022/23 to 2025/26

	2022/23	2023/24	2024/25	2025/26
Police main grant changes	6.0%	1.2%	1.7%	0%
Legacy council tax grant changes	0%	0%	0%	0%
Council tax base change	2.9%	1.0%	1.0%	1.0%
Collection fund surplus	£1.1m	£0k	£0k	£0k
Pay awards – officers	1.8%	2.4%	2.0%	2.0%
Pay awards – staff	1.8%	2.4%	2.0%	2.0%
Non-pay inflation (average)	4.0%	2.6%	2.1%	2.0%

<sup>1</sup> Pay awards are composite figures as awards are payable from 1 September and payment is split across two financial years.

- 2.15 The Spending Review 2020 announced a 12-months pay pause for public sector workers. This came into effect from 1 September 2021. Pay inflation has been

forecast at 3% per annum from 1 September 2022 and 2% from September 2023 and 2024. Non-pay inflation is forecast at between 4% and 2% per annum over the MTFP period. This is in line with HM Treasury assumptions for inflation used in the Spending Review 2021.

- 2.16 **Table 5** shows the financial impact to the annual budget if the planning assumptions are changed:

**Table 5: Budget movements due to 1% change in assumptions**

	Variation	Variation
Main government grants	1.0%	£731k
Tax base increase	1.0%	£598k
Precept	1.0%	£598k
Pay awards officers (full year impact)	1.0%	£757k
Pay awards staff (full year impact)	1.0%	£407k
Non-pay inflation	1.0%	£272k

- 2.17 The planning assumptions will be kept under review throughout the MTFP period.

### **Change and Efficiency Programme and the Financial Planning Process**

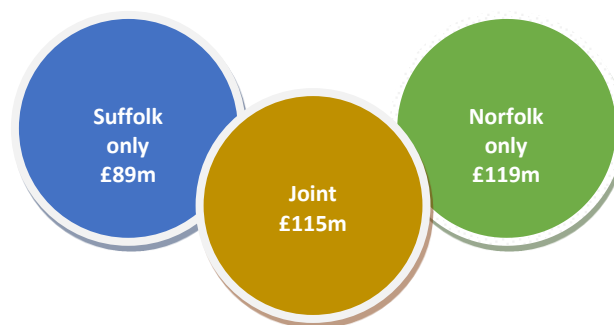
#### **Collaborative Change**

- 2.18 Suffolk and Norfolk Constabularies have been collaborating for over a decade. In the period to 2021/22, a significant number of projects have been implemented and savings from collaboration of £44.8m secured (£21.8m Suffolk and £23.0m Norfolk).

- 2.19 **Box 1** shows that the 'joint' services budget is now over a third of the combined budget of both forces and stands at £115m.

**Box 1: Suffolk and Norfolk Constabularies' collaboration 2021/22**

**Norfolk and Suffolk Collaboration**



- 2.20 As part of the service and financial planning process for 2022/23 to 2025/26, further savings of £1.8m in 2022/23 have been identified from the collaborative units (Suffolk's share £0.8m rising to £0.9m by 2025/26). Detailed business cases will be prepared to realise these savings during 2022/23 and 2023/24.
- 2.21 The planned savings programme is set out in **Appendix C**.

**Regional Collaboration**

- 2.22 The PCCs and Chief Constables (CC) for Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent, Norfolk and Suffolk continue to work collaboratively across the eastern region. The costs of the work are being shared by the 7 forces.
- 2.23 The 7F Strategic Collaboration Programme will transition to a 7F Network from 1 April 2022. The network will provide opportunities for forces to support each other and to collaborate across the region and to share good practice as appropriate.
- 2.24 As part of the transition process, the following live multi-force collaborative programmes will be completed:
- **Vetting Standardisation** – defining a single approach to vetting to maximise the benefits of recent technological investment
  - **7F Forensic Case Management System** – replacement Cloud-based case management system



- **5F Digital Asset Management System** – system to allow input, management, storage and transfer of digital media
- **7F Emergency Services Mobile Communications Programme** – replacement for Airwave communications providing critical voice and mobile data technology

### Precept Options

- 2.25 **Precept option 1** - increase Band D council tax by 2% (£4.68) in 2022/23 (and 2% each year thereafter).

**Table 6:** Income and expenditure under precept option 1

2% (£4.68) precept increase	Budget	Forecast	Forecast	Forecast
	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
Total funding	(148,211)	(149,746)	(153,173)	(155,184)
Net revenue expenditure before changes and savings	142,796	147,562	150,560	153,591
<b>Revenue surplus</b>	<b>(5,415)</b>	<b>(2,184)</b>	<b>(2,613)</b>	<b>(1,592)</b>
Known changes	6,203	7,487	9,667	8,591
Planned (use of)/ contribution to reserves	1,213	(1,624)	(2,413)	(1,299)
<b>Revenue deficit before savings</b>	<b>2,001</b>	<b>3,679</b>	<b>4,773</b>	<b>5,831</b>
Planned savings	(2,001)	(2,507)	(2,507)	(2,507)
Savings to be identified	-	(1,172)	(2,266)	(3,324)
<b>Revenue deficit/ (surplus) after savings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 2.26 Based on the planning assumptions set out in this report, further cumulative savings of £3.32m are required to be made in the period 2023/24 to 2025/26 to achieve a balanced budget over the MTFP period (see **Appendix A(i)**).

- 2.27 **Precept option 2** - increase Band D council tax by 4.2% (£9.99) in 2022/23 (and 2% each year thereafter).

**Table 7:** Income and expenditure under precept option 2

4.2% (£9.99) precept increase	Budget	Forecast	Forecast	Forecast
	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
Total funding	(149,586)	(151,182)	(154,671)	(156,721)
Net revenue expenditure before changes and savings	142,796	147,562	150,560	153,591
<b>Revenue surplus</b>	<b>(6,790)</b>	<b>(3,620)</b>	<b>(4,111)</b>	<b>(3,130)</b>
Known changes	7,578	8,862	11,174	10,098
Planned (use of)/ contribution to reserves	1,213	(1,624)	(2,413)	(1,299)
<b>Revenue deficit before savings</b>	<b>2,001</b>	<b>3,618</b>	<b>4,650</b>	<b>5,669</b>
Planned savings	(2,001)	(2,507)	(2,507)	(2,507)
Savings to be identified	-	(1,111)	(2,143)	(3,162)
<b>Revenue deficit/ (surplus) after savings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 2.28 Based on the planning assumptions set out in this report, further cumulative savings of £3.16m are required to be made in the period 2023/24 to 2025/26 to achieve a balanced budget over the MTFP period (see [Appendix A\(ii\)](#)).

### 3 CAPITAL PROGRAMME 2022/23 to 2025/26

- 3.1 The capital programme is a key element of strategic and financial planning. As highlighted over the last few years the impact of capital spending, particularly the investment in short-term assets, has a significant impact on the revenue budget.
- 3.2 Due to the continuing pace of modernisation, and ensuring the Constabulary remains fit-for-purpose, properly equipped and has appropriate accommodation, there is an increased investment requirement on the capital programme over the medium-term. This includes significant investment in the estate and in refreshing the growing ICT/ digital capabilities and investing in digital technologies and process improvements to drive more efficient ways of working.
- 3.3 There has been an increased reliance on reserves to fund short-life assets over the last few years due to funding constraints. To continue to fund replacement assets over the medium-term and beyond, to maximise the efficiency of the investment, and to protect reserve levels, revenue budget is required to fund short-life assets to increase the sustainable revenue funding of the capital programme. This is detailed in the review of the adequacy of reserves (see **Section 5**) and in the capital and reserves strategies (see **Appendices E and F**).
- 3.4 **Appendix D** provides a detailed analysis of the outline capital programme over the medium term, with the table below summarising these plans.

**Table 8:** Summary capital programme 2022/23 to 2025/26

	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
<b>Suffolk only capital programme</b>				
Estates	1,997	110	110	110
ICT	499	2,515	2,385	755
Vehicles and equipment	779	889	965	901
<b>Sub-total</b>	<b>3,275</b>	<b>3,514</b>	<b>3,460</b>	<b>1,766</b>
<b>Share of joint capital programmes</b>				
ICT schemes and projects	2,848	2,508	2,056	2,554
<b>Total</b>	<b>6,123</b>	<b>6,022</b>	<b>5,516</b>	<b>4,320</b>

- 3.5 The capital programme (provided at **Appendix D**) is arranged in 2 tables:
- **Table A** – Schemes or technical refresh programmes already approved for 2022/23.

- **Table B** – Schemes requiring a business case or further report to the PCC for approval.

3.6 The programme identifies those schemes which are joint projects with Norfolk Constabulary. Where applicable, the figures shown relate to Suffolk's share of the overall cost, which is calculated in proportion to the net revenue budget.

### Funding the Capital Programme

3.7 The following funding sources have been identified to support the outline capital programme, which will be updated to take account of approved changes to the programme. In addition, funding will move with the asset purchase whenever there is slippage in the programme.

**Table 9:** Funding sources for capital programme 2022/23 to 2025/26

	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
Capital receipts	285	1,550	60	60
Revenue contribution	3,690	2,963	2,963	2,911
Capital financing reserve	561	1,509	2,493	1,349
Internal borrowing	1,587	-	-	-
<b>Total</b>	<b>6,123</b>	<b>6,022</b>	<b>5,516</b>	<b>4,320</b>

3.8 The table shows that no external borrowing is forecast. Capital funding throughout the MTFP period is from capital receipts from the sale of assets, revenue funding from budget surpluses and from capital reserves. For 2022/23 this is supplemented by internal borrowing and use of cash reserves. This position will be kept under review over the MTFP planning period.

3.9 From 2022/23 PCCs no longer receive a capital grant to fund their capital expenditure programmes. Funding for capital expenditure is met from the revenue budget and from capital reserves.

### Minimum Revenue Provision

3.10 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 place a duty on the OPCC to make a charge against the PCC's revenue budget each year for capital purchases financed by borrowing (including internal borrowing) or credit arrangement. The annual charge is known as the minimum revenue provision (MRP). Regulations require the PCC to determine each financial year an amount of MRP, which it considers to be prudent by reference to a calculated capital financing requirement.

- 3.11 MRP is charged annually against the PCC's revenue budget reflecting the cost of the asset over its life, with the MTFP reflecting the required provision.
- 3.12 The MRP policy and statement has been reviewed and updated and is provided at **Appendix G**. No changes to the current MRP policy are proposed for 2022/23 and throughout the MTFP period.

## 4 INVESTMENT AND TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2022/23

### Investment and Treasury Management Strategy

- 4.1 Government regulations require the PCC to approve the investment and borrowing strategies and borrowing limits for 2022/23 prior to the start of the financial year. These are incorporated within an over-arching investment and treasury management strategy, which is published alongside the MTFP. A copy can be accessed on the PCC's website at [www.suffolk-pcc.gov.uk](http://www.suffolk-pcc.gov.uk).
- 4.2 The Investment and Treasury Management Strategy, which includes several Prudential Code and treasury management indicators, follows guidance from The Chartered Institute of Public Finance and Accountancy (CIPFA). New editions of the Prudential Code and the Treasury Management Code of Practice were issued in December 2021. The main change to the Prudential Code is on the restriction on borrowing funds for financial return, which came into immediate effect. Changes to the strategy have been made where applicable, but have not had a material impact on the current strategy.

### Compliance with the Prudential Code

- 4.3 PCCs have flexibility over capital investment in fixed assets that are central to the delivery of appropriate standards of public services. Levels of borrowing can be determined locally, provided that capital investment plans are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with sound professional practice and in a manner that supports prudence, affordability and sustainability. The Prudential Code is a statutory code. Its compliance helps to ensure prudent financial management.
- 4.4 To demonstrate that these objectives have been fulfilled, the Prudential Code sets indicators that are determined by the PCC. They are designed to ensure that the PCC stays within the constraints of prudent investment and borrowing. They are not designed to be comparative performance indicators. Details of the proposed indicators for 2022/23 are provided in the strategy. New indicators arising from the new Codes published in December 2021 have been reflected in the 2022/23 strategy, including the liability benchmark. Progress against the indicators will be monitored and reported during the year. The indicators can be changed during the year with the PCC's approval.

## 5 SECTION 25 RESPONSIBILITIES

- 5.1 Under Section 25 of Part II of the Local Government Act 2003, there is a specific requirement for the PCC CFO and the CC CFO to report on the robustness of the budget estimates, the adequacy of balances and reserves and issues of financial risk before the statutory budget decisions are taken.

### **Robustness of Budget Data**

- 5.2 In regard to the robustness of budget information, confidence in this data is the subject of regular review and it has reconfirmed that the processes followed remain sound.
- 5.3 The integrated financial planning model provides the high-level financial data that is used to generate the annual revenue and capital budgets, all of which are reconciled to control totals.
- 5.4 The comprehensive service and financial planning process has given a significant review of the various savings proposals and programmes. This process has involved Chief Officers, Heads of Department, Finance, Strategic Business and Operational Services and other enabling departments from both Suffolk and Norfolk Constabularies, resulting in greater financial clarity and consistency in financial plans.
- 5.5 In summary, both the PCC CFO and CC CFO are satisfied that the financial data contained within this report is robust and the assumptions underpinning the MTFP have been rigorously reviewed and challenged and can be relied upon when considering the financial proposals contained in the report and related appendices.

### **Managing Financial Risk**

- 5.6 The Constabulary and PCC are undertaking a significant number of projects in collaboration with Norfolk Constabulary, other forces and public sector partners, all of which have degrees of risk. Successful delivery of these projects is important as they are a key element of the savings plans shown in **Appendix C**.
- 5.7 Risk registers are in place for all the major projects and robust project management principles are being applied to help minimise the possibility of not delivering the changes on time or within budget. Any delays in securing planned capital receipts will be managed through the re-phasing of capital investments.
- 5.8 Detailed monthly financial reports will continue to be prepared throughout 2022/23 in respect of year-to-date financial performance and year-end projections

for 2022/23. These will continue to be considered in detail by the PCC, CC and their CFOs at the public meetings of the Accountability and Performance Panel, and any remedial action agreed and taken as required.

- 5.9 Monitoring and oversight of the implementation of the savings plans, together with consideration and approval of future business cases for service redesign and savings will continue to be undertaken through existing established governance arrangements.

#### **Adequacy of Reserves**

- 5.10 Projected levels of reserves are shown in the reserves' strategy provided at **Appendix F**. The current strategy remains unchanged from 2021/22 and is to maintain the general reserve close to 3.0% of the net revenue budget. This continues to be considered a prudent and adequate amount.
- 5.11 Earmarked reserves are held for a specific purpose with funds set aside for their future use. The strategy remains unchanged from 2021/22 and is to keep earmarked reserves at an appropriate level to meet future payments as and when they fall due thereby ensuring taxpayers' money is used as efficiently as possible. The strategy is to continue to contribute to the capital financing reserve and to keep this at an appropriate level throughout the MTFP period to fund future capital purchases.
- 5.12 CIPFA guidance on reserves includes the statement that:
- ‘A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed’.
- (CIPFA, LAAP Bulletin 99, July 2014)
- 5.13 Having considered the levels of reserves included in the MTFP and taking account of the approach to managing financial risk set out above, both the PCC CFO and CC CFO consider that there will be adequate general and earmarked reserves to continue the smooth running of the PCC and Constabulary's finances over the MTFP period.



## 6 CHIEF CONSTABLE'S COMMENTARY

- 6.1 The provisional 2022/23 settlement of the police main grant shows an increase in funding of £4.4m (6.0%) over 2021/22 with the additional funding provided as part of the government's commitment to increase officers nationally by 20,000 by the end of March 2023. PCCs have been given the freedom to increase their Band D precept by £10 in 2022/23 without the need to call a referendum.
- 6.2 The Constabulary has worked hard to ensure previous precept investments have been used wisely and are making a real difference across the county. Suffolk is continuing to grow and develop and we must keep pace to ensure the Constabulary is equipped to deal with new emerging challenges that meets the needs of all our communities.
- 6.3 My published three-year strategic plan shows that the Constabulary needs to continue to focus on improving investigations, protecting vulnerable people and provide better public contact and communications. We will continue to build upon the joint initiatives with our local public sector partners and collaborative ventures, including those across the eastern region.
- 6.4 The Constabulary is committed to delivering the planned savings of £2.0m in 2022/23, and to identify and deliver of savings in excess of £3m by the end of the MTFP period.
- 6.5 The MTFP considers, amongst other issues, the financial implications of two alternative options. These are to increase the precept 2% annually throughout the MTFP (Option 1) and increase the precept by £9.99 for 2022/23 and 2% throughout the remainder of the MTFP period (Option 2).
- 6.6 Based on the planning assumptions set out in this report, Option 1 results in the Constabulary delivering a balanced budget in 2022/23. There is no surplus precept funding for further investment.
- 6.7 Option 2 would result in the Constabulary delivering a balanced budget **and** additional funding of £1.4m more than Option 1 allowing investment in the following activities:
- **Improving and transforming the Contact and Control Room** to provide the public with a more efficient, effective and modern service when contacting the Constabulary. Benefits will include:
    - Improved assessment of threat, harm and risk in calls received;
    - Better identification of vulnerability, repeat victims and better allocation of operational resources; and

- Reduced abandonment rate for 101 calls.
- 6.8 This investment is essential to ensure Suffolk Constabulary continues to deliver a high-quality service, catches criminals and keeps the public safe.
- 6.9 Monitoring delivery of improvements in performance from the additional policing resources provided through the increased budget will be at each of the publicly held Accountability and Performance Panel meetings, chaired by the PCC.

## 7 CONCLUSION AND SUMMARY OF OPTIONS

- 7.1 The MTFP has been prepared following notification of the provisional 2022/23 settlements from the Home Office on 16 December 2021 and in conjunction with a wide range of assumptions summarised in section two of this report.
- 7.2 The two alternative budget options are proposed to the PCC for consideration, the financial consequences of which are contained in **Appendices A(i), A(ii), and H**, and are summarised below.

### Option 1

- 7.3 Based on the planning assumptions set out in this report, this option would result in the Constabulary delivering a balanced budget in 2022/23. There would be no surplus precept funding for further investment.

### Option 2

Based on the planning assumptions set out in this report, this option would result in the Constabulary delivering a balanced budget and additional funding of £1.4m more than Option 1 allowing investment in the following additional activity:

- **Improving and transforming the Contact and Control Room** to provide the public with a more efficient, effective and modern service when contacting the Constabulary.

## 8 RECOMMENDATIONS

8.1 It is recommended that the PCC:

- (i) Takes account of the overall financial strategy, when considering the 2022/23 budget proposals in **Appendix A**, and
- (ii) Approves the planned revenue changes summarised in **Appendix B**;
- (iii) Approves the savings plans in **Appendix C**;
- (iv) Approves the proposed capital programme for 2022/23 and the draft capital programme over the medium term as set out at **Appendix D**;
- (v) Approves the capital strategy in **Appendix E**;
- (vi) Approves the proposed use and transfer of reserve balances in **Appendix F**;
- (vii) Approves the MRP policy and statement in **Appendix G** noting that no changes to the MRP policy are proposed for 2022/23 and throughout the MTFP period; and
- (viii) When setting the precept level consideration is given to the medium-term financial implications of options 1 and 2, the assessment of financial risks contained in this report and the Chief Constable's commentary.

## Appendix A(i) – 2% (£4.68) council tax increase

### SUFFOLK MEDIUM TERM FINANCIAL PLAN – 4-YEAR OVERVIEW

	2022/23	2023/24	2024/25	2025/26	Note
	£000	£000	£000	£000	
<b>REVENUE FUNDING</b>					
Home Office Grant	(77,549)	(78,450)	(79,801)	(79,801)	
Legacy Council Tax Grants	(6,786)	(6,786)	(6,786)	(6,786)	
Precept Income	(63,876)	(64,510)	(66,586)	(68,597)	1
<b>TOTAL FUNDING</b>	<b>(148,211)</b>	<b>(149,746)</b>	<b>(153,173)</b>	<b>(155,184)</b>	
<b>BASE REVENUE BUDGET INCLUDING INFLATION</b>					
Constabulary Revenue Budget before savings	147,686	151,319	154,385	157,483	2
PCC Corporate Budget	875	875	875	875	
PCC Commissioning Budget	2,067	2,067	2,067	2,067	
Revenue Funding of Capital, Minimum Revenue Provision and Interest	3,610	3,610	3,610	3,610	
Total Revenue Income including Specific Grants	(11,442)	(10,309)	(10,377)	(10,444)	
<b>NET REVENUE BUDGET BEFORE KNOWN CHANGES AND SAVINGS</b>	<b>142,796</b>	<b>147,562</b>	<b>150,560</b>	<b>153,591</b>	
<b>REVENUE (SURPLUS) / DEFICIT BEFORE KNOWN CHANGES</b>	<b>(5,415)</b>	<b>(2,184)</b>	<b>(2,613)</b>	<b>(1,593)</b>	
Known / Expected Changes	6,203	7,487	9,799	8,723	3
Planned (use of)/contribution to reserves	1,213	(1,624)	(2,413)	(1,299)	3
<b>REVENUE DEFICIT BEFORE SAVINGS</b>	<b>2,001</b>	<b>3,679</b>	<b>4,773</b>	<b>5,831</b>	
Change Programme Savings	(2,001)	(2,507)	(2,507)	(2,507)	4
<b>Total Cumulative Impact of Savings</b>	<b>(2,001)</b>	<b>(2,507)</b>	<b>(2,507)</b>	<b>(2,507)</b>	
<b>REVENUE (SURPLUS) / DEFICIT AFTER SAVINGS</b>	<b>-</b>	<b>1,172</b>	<b>2,266</b>	<b>3,324</b>	
<b>SURPLUS/(SAVINGS TO BE IDENTIFIED)</b>	<b>-</b>	<b>(1,172)</b>	<b>(2,266)</b>	<b>(3,324)</b>	
<b>REVENUE DEFICIT/ (SURPLUS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

#### Notes:

1. Annual 2% precept increase; 2.9% increase in CT base in 2021/22 and 1% in following years; 2. Excludes capital;
3. See appendix B (ii); 4. See appendix C

## Appendix A(ii) – 4.2% (£9.99) council tax increase

### SUFFOLK MEDIUM TERM FINANCIAL PLAN – 4-YEAR OVERVIEW

	2022/23	2023/24	2024/25	2025/26	Note
	£000	£000	£000	£000	
<b>REVENUE FUNDING</b>					
Home Office Grant	(77,549)	(78,450)	(79,801)	(79,801)	
Legacy Council Tax Grants	(6,786)	(6,786)	(6,786)	(6,786)	
Precept Income	(65,251)	(65,946)	(68,084)	(70,134)	1
<b>TOTAL FUNDING</b>	<b>(149,586)</b>	<b>(151,182)</b>	<b>(154,671)</b>	<b>(156,721)</b>	
<b>BASE REVENUE BUDGET INCLUDING INFLATION</b>					
Constabulary Revenue Budget before savings	147,686	151,319	154,385	157,483	2
PCC Corporate Budget	875	875	875	875	
PCC Commissioning Budget	2,067	2,067	2,067	2,067	
Revenue Funding of Capital, Minimum Revenue Provision and Interest	3,610	3,610	3,610	3,610	
Total Revenue Income including Specific Grants	(11,442)	(10,309)	(10,377)	(10,444)	
<b>NET REVENUE BUDGET BEFORE KNOWN CHANGES AND SAVINGS</b>	<b>142,796</b>	<b>147,562</b>	<b>150,560</b>	<b>153,591</b>	
<b>REVENUE SURPLUS BEFORE KNOWN CHANGES</b>	<b>(6,790)</b>	<b>(3,620)</b>	<b>(4,111)</b>	<b>(3,130)</b>	
Known/ Expected Changes	7,578	8,862	11,174	10,098	3
Planned (use of)/ contribution to reserves	1,213	(1,624)	(2,413)	(1,299)	3
<b>REVENUE DEFICIT BEFORE SAVINGS</b>	<b>2,001</b>	<b>3,618</b>	<b>4,650</b>	<b>5,669</b>	
Change Programme Savings	(2,001)	(2,507)	(2,507)	(2,507)	4
<b>Total Cumulative Impact of Savings</b>	<b>(2,001)</b>	<b>(2,507)</b>	<b>(2,507)</b>	<b>(2,507)</b>	
<b>REVENUE (SURPLUS)/ DEFICIT AFTER SAVINGS</b>	<b>-</b>	<b>1,111</b>	<b>2,143</b>	<b>3,162</b>	
<b>SURPLUS/ (SAVINGS TO BE IDENTIFIED)</b>	<b>-</b>	<b>(1,111)</b>	<b>(2,143)</b>	<b>(3,162)</b>	
<b>REVENUE DEFICIT/ (SURPLUS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

#### Notes:

1. 4.2% (£9.99) precept increase in 2022/23, 2% thereafter; 2.9% increase in CT base in 2022/23 and 1% thereafter; 2. Excludes capital
3. See appendix B (ii); 4. See appendix C

## Appendix B(i) – 2% (£4.68) council tax increase

	Proposed 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
	£000	£000	£000	£000
<b>STATUTORY CHANGES</b>				
Rent and Housing Allowance Reductions	(70)	(100)	(100)	(100)
Variation in Bank Holiday Numbers	(184)	(184)	(368)	(276)
Local Government Pension Scheme	(8)	(8)	(8)	(8)
National Insurance Levy	1,000	1,000	1,000	1,000
Pension Valuations	-	-	150	150
Firearms Licensing Income	28	101	83	20
<b>TOTAL STATUTORY CHANGES</b>	<b>766</b>	<b>809</b>	<b>757</b>	<b>786</b>
<b>INVESTMENT</b>				
Officer uplift - Police Officers	1,608	2,520	2,520	2,520
Officer uplift - additional investment	518	507	1,858	1,858
Precept Investment	25	25	25	25
<b>TOTAL INVESTMENT</b>	<b>2,151</b>	<b>3,052</b>	<b>4,403</b>	<b>4,403</b>
<b>SERVICE DEVELOPMENTS</b>				
Home Office System Charges	136	136	136	136
Microsoft Enterprise Agreement	54	176	176	176
Digital Asset Management System	9	61	76	76
Forensic Case Management System	54	54	54	54
7 Force Collaboration Contribution	120	-	-	-
ERSOU	31	31	31	31
Insurance Premium Increases	-	160	160	160
Vetting CMS and Lead	(5)	(5)	(5)	(5)
PEQF - DHEP training costs	145	336	350	350
PEQF - Co-investment	-	-	-	69
ISO Accreditation	350	70	70	40
Chorus Licences	15	15	15	15
Challenge Panel – Pay cost pressures	797	894	894	894
Challenge Panel – Non-pay cost pressures	132	132	132	132
<b>TOTAL SERVICE DEVELOPMENTS</b>	<b>1,838</b>	<b>2,060</b>	<b>2,089</b>	<b>2,128</b>
<b>CAPITAL FINANCING</b>				
Minimum Revenue Provision	32	57	57	57
Capital Programme Funding - Reserve	1,417	(408)	576	1,349
Capital Programme Funding - ESN	-	1,917	1,917	-
<b>TOTAL CAPITAL FINANCING</b>	<b>1,449</b>	<b>1,566</b>	<b>2,550</b>	<b>1,406</b>
<b>TOTAL CHANGES BEFORE RESERVES</b>	<b>6,203</b>	<b>7,487</b>	<b>9,799</b>	<b>8,723</b>

<b>CONTRIBUTION TO RESERVES</b>				
Capital Financing Reserve	1,453	408	-	-
General Reserve	200	30	80	50
<b>USE OF RESERVES</b>				
7 Force Collaboration Contribution	(120)	-	-	-
Capital Funding	(1,417)	-	(576)	(1,349)
Capital funding – ESN	-	(1,917)	(1,917)	-
Budget Reserve - Collection Fund Deficit	1,097	(145)	-	-
<b>NET RESERVE MOVEMENTS</b>				
	<b>1,213</b>	<b>(1,624)</b>	<b>(2,413)</b>	<b>(1,299)</b>
<b>TOTAL</b>				
	<b>7,416</b>	<b>5,863</b>	<b>7,386</b>	<b>7,424</b>



## Appendix B(ii) – 4.2% (£9.99) council tax increase

	Proposed 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
	£000	£000	£000	£000
<b>STATUTORY CHANGES</b>				
Rent and Housing Allowance Reductions	(70)	(100)	(100)	(100)
Variation in Bank Holiday Numbers	(184)	(184)	(368)	(276)
Local Government Pension Scheme	(8)	(8)	(8)	(8)
National Insurance Levy	1,000	1,000	1,000	1,000
Pension Valuations	-	-	150	150
Firearms Licensing Income	28	101	83	20
<b>TOTAL STATUTORY CHANGES</b>	<b>766</b>	<b>809</b>	<b>757</b>	<b>786</b>
<b>INVESTMENT</b>				
Officer uplift - Police Officers	1,608	2,520	2,520	2,520
Officer uplift - additional investment	518	507	1,858	1,858
Precept Investment	1,400	1,400	1,400	1,400
<b>TOTAL INVESTMENT</b>	<b>3,526</b>	<b>4,427</b>	<b>5,778</b>	<b>5,778</b>
<b>SERVICE DEVELOPMENTS</b>				
Home Office System Charges	136	136	136	136
Microsoft Enterprise Agreement	54	176	176	176
Digital Asset Management System	9	61	76	76
Forensic Case Management System	54	54	54	54
7 Force Collaboration Contribution	120	-	-	-
ERSOU	31	31	31	31
Insurance Premium Increases	-	160	160	160
Vetting CMS and Lead	(5)	(5)	(5)	(5)
PEQF - DHEP training costs	145	336	350	350
PEQF - Co-investment	-	-	-	69
ISO Accreditation	350	70	70	40
Chorus Licences	15	15	15	15
Challenge Panel – Pay cost pressures	797	894	894	894
Challenge Panel – Non-pay cost pressures	132	132	132	132
<b>TOTAL SERVICE DEVELOPMENTS</b>	<b>1,838</b>	<b>2,060</b>	<b>2,089</b>	<b>2,128</b>
<b>CAPITAL FINANCING</b>				
Minimum Revenue Provision	32	57	57	57
Capital Programme Funding - Reserve	1,417	(408)	576	1,349
Capital Programme Funding - ESN	-	1,917	1,917	-
<b>TOTAL CAPITAL FINANCING</b>	<b>1,449</b>	<b>1,566</b>	<b>2,550</b>	<b>1,406</b>
<b>TOTAL CHANGES BEFORE RESERVES</b>	<b>7,578</b>	<b>8,862</b>	<b>11,174</b>	<b>10,098</b>

<b>CONTRIBUTION TO RESERVES</b>				
Capital Financing Reserve	1,453	408	-	-
General Reserve	200	30	80	50
<b>USE OF RESERVES</b>				
7 Force Collaboration Contribution	(120)	-	-	-
Capital Funding	(1,417)	-	(576)	(1,349)
Capital funding – ESN	-	(1,917)	(1,917)	-
Budget Reserve - Collection Fund Deficit	1,097	(145)	-	-
<b>NET RESERVE MOVEMENTS</b>	<b>1,213</b>	<b>(1,624)</b>	<b>(2,413)</b>	<b>(1,299)</b>
<b>TOTAL</b>	<b>8,791</b>	<b>7,238</b>	<b>8,761</b>	<b>8,799</b>

## Appendix C

### Savings Plan 2022/23 to 2025/26

	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000
<b>Change and Efficiency Savings:</b>				
<b>As per challenge panels:</b>				
Pay (including pay inflation)	1,320	1,741	1,741	1,741
Non-Pay	681	766	766	766
<b>Total Change and Efficiency Savings</b>	<b>2,001</b>	<b>2,507</b>	<b>2,507</b>	<b>2,507</b>
<b>Permanent savings against 2020/21 base</b>	<b>2,001</b>	<b>2,507</b>	<b>2,507</b>	<b>2,507</b>

### Areas for savings 2022/23

Distribution of savings by Chief Officer Portfolio	£000
<b>ACC Operations</b> – Local Policing and Investigations	1,116
<b>ACO Joint Portfolio</b> – Corporate Shared Services	504
<b>DCC Joint Portfolio</b> – People Directorate, Professional Standards, Communications, SBOS	121
<b>ACC Joint Portfolio</b> – Protective Services	179
<b>ACC Joint Portfolio</b> – Justice Services	81
<b>Total</b>	<b>2,001</b>

## Appendix D - Capital Programme 2022/23 to 2025/26

PROJECT	2021/22 Forecast	2021/22 Slippage	Requirement in 2022/23	2022/23 Total Requirement		2023/24	2024/25	2025/26	4 Year total
				Table A	Table B				
Estates Downsizing - Stowmarket	1,357,072	-	-	-	-	-	-	-	-
Estates Downsizing - Mildenhall Hub	475,751	-	-	-	-	-	-	-	-
Estates Downsizing - Sudbury	-	50,000	-	50,000	-	-	-	-	50,000
Ipswich NE SNT - Heath Road and Gainsborough	150,000	91,757	38,243	130,000	-	-	-	-	130,000
Estates Remodelling - Haverhill	-	111,572	-	-	111,572	-	-	-	111,572
Ipswich Town Centre SNT (Fire Station)	-	941,757	8,243	-	950,000	-	-	-	950,000
Bury St Edmunds - Car Park and Armoury	185,000	45,000	-	-	45,000	-	-	-	45,000
Martlesham PHQ - Review of Site	-	300,000	-	-	300,000	-	-	-	300,000
Martlesham PHQ - L&D Accommodation	100,000	-	300,000	-	300,000	-	-	-	300,000
Carbon Management	100,000	-	100,000	100,000	-	100,000	100,000	100,000	400,000
SALTO Renewals	-	-	10,000	10,000	-	10,000	10,000	10,000	40,000
<b>Total Estates - Suffolk Only</b>	<b>2,367,823</b>	<b>1,540,086</b>	<b>456,486</b>	<b>290,000</b>	<b>1,706,572</b>	<b>110,000</b>	<b>110,000</b>	<b>110,000</b>	<b>2,326,572</b>
ICT Replacements - Desktop and Laptops	256,500	-	275,885	275,885	-	473,870	343,460	630,975	1,724,190
ICT Replacements - Communications	121,226	-	74,000	74,000	-	74,000	74,000	74,000	296,000
ANPR Vehicle Kit Refresh	59,372	-	50,000	50,000	-	50,000	50,000	50,000	200,000
Emergency Services Network (ESN)	-	-	100,000	-	100,000	1,917,363	1,917,363	-	3,934,726
<b>Total ICT - Suffolk Only</b>	<b>437,098</b>	<b>-</b>	<b>499,885</b>	<b>399,885</b>	<b>100,000</b>	<b>2,515,233</b>	<b>2,384,823</b>	<b>754,975</b>	<b>6,154,916</b>
Athena	36,895	-	64,038	64,038	-	36,868	-	-	100,906
Cameras - static/ dual lane/ fixed site	76,760	-	-	-	-	-	-	-	-
Vehicle Replacements	1,101,000	-	715,000	715,000	-	852,000	965,000	901,000	3,433,000
<b>Total Equipment and Vehicle Replacements</b>	<b>1,214,655</b>	<b>-</b>	<b>779,038</b>	<b>779,038</b>	<b>-</b>	<b>888,868</b>	<b>965,000</b>	<b>901,000</b>	<b>3,533,906</b>
<b>Total Suffolk Only</b>	<b>4,019,576</b>	<b>1,540,086</b>	<b>1,735,409</b>	<b>1,468,923</b>	<b>1,806,572</b>	<b>3,514,101</b>	<b>3,459,823</b>	<b>1,765,975</b>	<b>12,015,394</b>

Suffolk Share of Replacement Schemes	1,570,476	-	1,185,023	1,185,023	-	1,131,530	1,004,752	1,884,928	5,206,233
<b>Suffolk Capital Programme</b>	<b>5,590,052</b>	<b>1,540,086</b>	<b>2,920,432</b>	<b>2,653,946</b>	<b>1,806,572</b>	<b>4,645,631</b>	<b>4,464,575</b>	<b>3,650,903</b>	<b>17,221,627</b>
Suffolk Share of Joint Projects	1,106,173	555,624	1,107,192	441,194	1,221,622	1,376,309	1,051,300	669,018	4,759,444
<b>Total Suffolk Capital Programme</b>	<b>6,696,225</b>	<b>2,095,710</b>	<b>4,027,624</b>	<b>3,095,140</b>	<b>3,028,194</b>	<b>6,021,940</b>	<b>5,515,875</b>	<b>4,319,921</b>	<b>21,981,071</b>

## Appendix D contd. - Joint Capital Projects

PROJECT	2021/22 Forecast	2021/22 Slippage	Requirement in 2022/23	2022/23 Total Requirement		2023/24	2024/25	2025/26	4 Year total
<b>Joint ICT Replacement Schemes:</b>				<b>Table A</b>	<b>Table B</b>				
<b>ICT Tech Refresh:</b>									
Joint ICT Replacements - Servers	1,205,796	-	621,700	621,700	-	777,000	703,000	1,197,000	3,298,700
ICT Replacements - Network	1,220,979	-	888,000	888,000	-	872,187	1,059,720	1,360,939	4,180,846
Microwave Refresh	52,600	-	37,500	37,500	-	49,000	22,000	25,500	134,000
ANPR Cameras	115,000	-	75,000	75,000	-	255,000	210,000	112,500	652,500
<b>ICT Tech refresh total</b>	<b>2,594,375</b>	<b>-</b>	<b>1,622,200</b>	<b>1,622,200</b>	<b>-</b>	<b>1,953,187</b>	<b>1,994,720</b>	<b>2,695,939</b>	<b>8,266,046</b>
<b>Mobile Telephony:</b>									
Mobile Device Replacement Programme	335,081	-	255,000	255,000	-	500,000	165,000	730,545	1,650,545
<b>Total Mobile Telephony</b>	<b>335,081</b>	<b>-</b>	<b>255,000</b>	<b>255,000</b>	<b>-</b>	<b>500,000</b>	<b>165,000</b>	<b>730,545</b>	<b>1,650,545</b>
<b>Body Worn Video:</b>									
BWV Replacement	705,904	-	865,909	865,909	-	166,095	166,095	936,776	2,134,875
<b>Total Body Worn Video</b>	<b>705,904</b>	<b>-</b>	<b>865,909</b>	<b>865,909</b>	<b>-</b>	<b>166,095</b>	<b>166,095</b>	<b>936,776</b>	<b>2,134,875</b>
<b>ICT Replacement Schemes</b>	<b>3,635,360</b>	<b>-</b>	<b>2,743,109</b>	<b>2,743,109</b>	<b>-</b>	<b>2,619,282</b>	<b>2,325,815</b>	<b>4,363,260</b>	<b>12,051,466</b>
<b>Norfolk</b>	<b>2,064,884</b>	<b>-</b>	<b>1,558,086</b>	<b>1,558,086</b>	<b>-</b>	<b>1,487,752</b>	<b>1,321,063</b>	<b>2,478,331</b>	<b>6,845,232</b>
<b>Suffolk</b>	<b>1,570,476</b>	<b>-</b>	<b>1,185,023</b>	<b>1,185,023</b>	<b>-</b>	<b>1,131,530</b>	<b>1,004,752</b>	<b>1,884,928</b>	<b>5,206,233</b>
<b>Digital Forensics Unit:</b>									
Joint Digital Forensics - data centre	-	-	526,448	526,448	-	1,035,089	1,160,000	1,160,000	3,881,537
<b>Total Digital Forensics Unit</b>	<b>-</b>	<b>-</b>	<b>526,448</b>	<b>526,448</b>	<b>-</b>	<b>1,035,089</b>	<b>1,160,000</b>	<b>1,160,000</b>	<b>3,881,537</b>
<b>Digital Portfolio</b>									
Digital Strategy - Frontline Mobile Devices	32,383	-	-	-	-	-	-	-	-
Digital Recording/ Streaming	118,734	-	-	-	-	-	-	-	-
Mobile Workflow (OPTIK)	127,521	-	260,000	260,000	-	200,000	-	-	460,000

O365 Exploitation	-	-	50,000	-	50,000	50,000	50,000	-	150,000
Single Online Home (SOH)	-	-	-	-	-	140,000	-	-	140,000
CDG Phase 2 - Data Warehousing	-	-	75,000	-	75,000	-	-	-	75,000
Fingerprint Scanner Replacement	-	-	-	-	-	120,000	-	-	120,000
Website Upgrade	81,142	-	-	-	-	-	-	-	-
Next Generation Computing Trial	39,791	-	-	-	-	-	-	-	-
<b>Total Digital Portfolio</b>	<b>399,571</b>	<b>-</b>	<b>385,000</b>	<b>260,000</b>	<b>125,000</b>	<b>510,000</b>	<b>50,000</b>	<b>-</b>	<b>945,000</b>
<b>Investment in Efficiency Initiatives</b>									
Process Maturity	-	-	728,000	-	728,000	700,000	500,000	250,000	2,178,000
Automation	-	-	100,000	-	100,000	125,000	125,000	100,000	450,000
Data Quality Project	-	-	200,000	-	200,000	-	-	-	200,000
<b>Total Investment in Efficiency Initiatives</b>	<b>-</b>	<b>-</b>	<b>1,028,000</b>	<b>-</b>	<b>1,028,000</b>	<b>825,000</b>	<b>625,000</b>	<b>350,000</b>	<b>2,828,000</b>
<b>Protective Services:</b>									
Radio Frequency Capacity	-	237,000	-	-	237,000	-	-	-	237,000
TASER Upgrade	741,860	-	-	-	-	-	-	-	-
ANPR in RAPT Vehicles	115,000	-	-	-	-	-	-	-	-
Replacement of Speed Detection Devices	23,970	-	-	-	-	-	-	-	-
FCIU Accelerometers	30,000	-	-	-	-	-	-	-	-
Laser Sights for Weapon Systems	-	50,000	-	-	50,000	-	-	-	50,000
Ear Defenders and Comms Rigs	-	-	72,000	-	72,000	-	-	-	72,000
Ballistic Shields - Replacement Programme	-	-	25,000	-	25,000	25,000	25,000	25,000	100,000
Body Armour - Replacement Programme	-	-	130,000	-	130,000	120,000	120,000	-	370,000
Camera equipment refresh for CSI & FCIU	-	-	90,000	-	90,000	-	-	-	90,000
Rifle Capability	-	20,000	60,000	-	80,000	-	-	-	80,000
<b>Total Protective Services:</b>	<b>910,830</b>	<b>307,000</b>	<b>377,000</b>	<b>-</b>	<b>684,000</b>	<b>145,000</b>	<b>145,000</b>	<b>25,000</b>	<b>999,000</b>

<b>REGIONAL PROJECTS:</b>									
Digital Asset Management System	76,307	332,055	-	-	332,055	86,831	-	-	418,886
ESN	285,000	-	106,242	-	106,242	442,574	442,574	-	991,390
Forensic Case Management System	-	166,000	-	-	166,000	-	-	-	166,000
<b>Total Regional Projects</b>	<b>361,307</b>	<b>498,055</b>	<b>106,242</b>	<b>-</b>	<b>604,297</b>	<b>529,405</b>	<b>442,574</b>	<b>-</b>	<b>1,576,276</b>
<b>ERP RELATED PROJECTS:</b>									
ERP Upgrade	595,149	-	-	-	-	-	-	-	-
DMS Upgrade	-	100,000	-	100,000	-	-	-	-	100,000
Skills Module ERP (Chronicle)	24,000	52,000	58,000	-	110,000	78,000	-	-	188,000
E-Recruitment	-	67,925	-	67,925	-	-	-	-	67,925
E-PDR	-	100,000	(50,000)	50,000	-	50,000	-	-	100,000
<b>Total ERP Related Projects:</b>	<b>619,149</b>	<b>319,925</b>	<b>8,000</b>	<b>217,925</b>	<b>110,000</b>	<b>128,000</b>	<b>-</b>	<b>-</b>	<b>455,925</b>
<b>Other Projects:</b>									
LACHS Upgrade	7,500	-	-	-	-	-	-	-	-
Vehicle Telematics	45,866	-	-	-	-	-	-	-	-
CCR Telephony	145,698	-	-	-	-	-	-	-	-
Occupational Health and Welfare system	-	8,216	-	8,216	-	-	-	-	8,216
Genie Clearcore - Phase 3	-	100,000	-	-	100,000	-	-	-	100,000
Project Server	-	-	20,000	-	20,000	-	-	-	20,000
Modern Workplace	-	50,000	100,000	-	150,000	-	-	-	150,000
<b>Total Other Projects</b>	<b>199,064</b>	<b>158,216</b>	<b>120,000</b>	<b>8,216</b>	<b>270,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>278,216</b>
<b>Total Joint Capital Programme</b>	<b>6,181,637</b>	<b>1,283,196</b>	<b>5,293,799</b>	<b>3,755,698</b>	<b>2,821,297</b>	<b>5,791,776</b>	<b>4,748,389</b>	<b>5,898,260</b>	<b>23,015,420</b>
<b>Joint Capital Projects - Norfolk</b>	<b>3,504,988</b>	<b>727,572</b>	<b>3,001,584</b>	<b>2,129,481</b>	<b>1,599,675</b>	<b>3,283,937</b>	<b>2,692,337</b>	<b>3,344,313</b>	<b>13,049,743</b>
<b>Joint Capital Projects - Suffolk</b>	<b>2,676,649</b>	<b>555,624</b>	<b>2,292,215</b>	<b>1,626,217</b>	<b>1,221,622</b>	<b>2,507,839</b>	<b>2,056,052</b>	<b>2,553,946</b>	<b>9,965,677</b>



## Appendix E

### Capital Strategy

#### Introduction

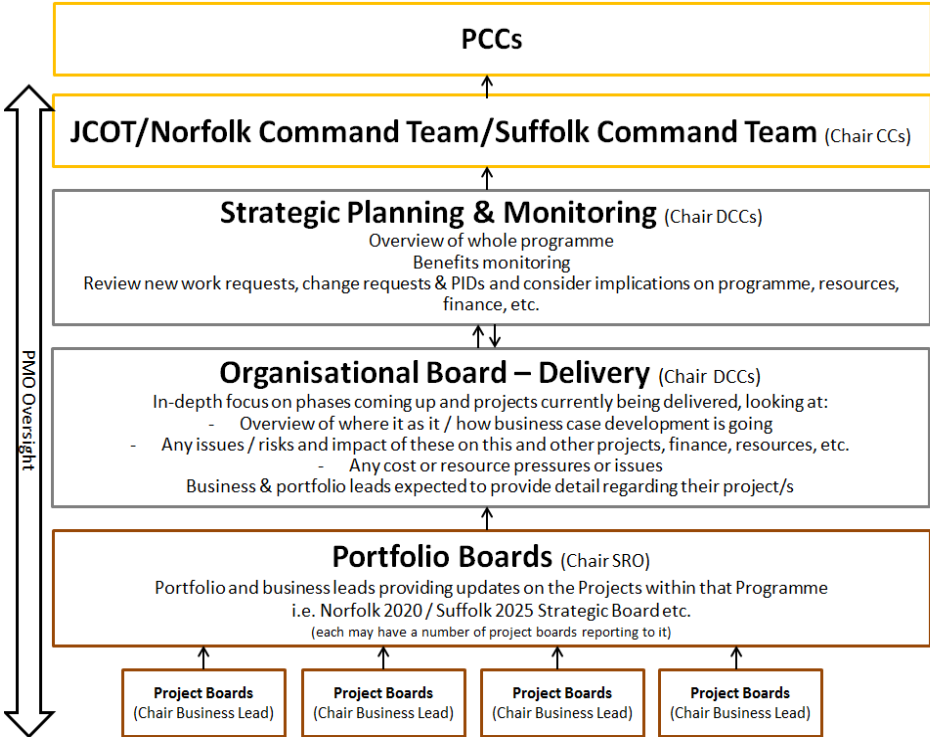
- E.1 The CIPFA Prudential Code requires the production of a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of good stewardship, value for money, prudence, sustainability and affordability.
- E.2 The Capital Strategy is a key document for the PCC for Suffolk and the Chief Constable of Suffolk Constabulary and throughout this document the term Suffolk is used to refer to the activities of both the PCC and the Constabulary.
- E.3 The capital strategy sets out the long-term context in which capital expenditure and investment decisions are made in Suffolk and gives due consideration to both risk and reward and the impact on the achievement of priority outcomes.

#### Objectives

- E.4 The key objectives of the Capital Strategy are to:
- Provide a framework that requires new capital expenditure to be robustly evaluated, ensuring that capital investment delivers value for money and is made in accordance with the Suffolk corporate, financial and asset management strategies, matching their visions, values and priorities.
  - Set out how Suffolk identifies, prioritises, delivers and manages capital programmes and projects. This includes outlining the governance framework from initiation to post project review.
  - Ensure that the full-life cost of capital expenditure is evaluated, including borrowing, maintenance and disposal costs.
  - Ensure that all capital expenditure and related borrowing cash flows are affordable, prudent and sustainable.
  - Identify the resources available for capital investment over the planning period and any restrictions on borrowing or funding.

**Governance**

E.5 There is a robust joint governance model that sits over the Suffolk only, Norfolk only and collaborated departments. This is provided below:



E.6 Project boards are established for all appropriate projects and are run on PRINCE2 project models. These individual projects report into Portfolio Boards each with a Senior Responsible Officer. Reports from these boards are then taken to the Organisational Board chaired by the Deputy Chief Constables of Suffolk and Norfolk (DCCs) and attended by each Head of Department.

E.7 Sitting above this is the Strategic Planning and Monitoring meeting, again chaired by the DCCs but with a smaller membership (DCCs, Chief Finance Officers (CFOs) of Suffolk and Norfolk, Head of Finance, Head of Strategic Business Operational Services, Director of ICT, Director of People). This group acts as monitor of the Change Programme including delivery of all projects, as a gateway for new projects emerging in year, ensures appropriate resources are agreed in line with priorities and ensures targets set within the MTFP.

E.8 Reports as appropriate are then taken to the Joint Chief Officer Team meeting that consists of all Chief Officers from Suffolk and Norfolk, as well as the Head of

Strategic Business Operational Services and Head of the Programme Management Office.

### Strategies and Plans

- E.9 The PCC publishes a police and crime plan. To support this plan a number of interrelated strategies and plans are in place, such as the MTFP that includes the medium-term capital programme, Capital Strategy, and the Investment and Treasury Management Strategy.
- E.10 The operation of all these strategies and plans is underpinned by the Scheme of Governance which includes the Financial Regulations and Contract Standing Orders.
- E.11 In addition, there are four key strategies that support the capital strategy.
1. The estates strategy sets out the PCC vision for the Suffolk estate. Specifically, the strategy is designed to ensure delivery of a fit-for-purpose estates portfolio that is responsive to current and future needs, effectively supports meeting strategic objectives and service delivery and which is focussed on improving public confidence and reducing costs. The strategy will support the aim of maximising resources for front-line policing and delivery of effectiveness, efficiency and value for money.
  2. There is joint transport strategy for Suffolk and Norfolk. Vehicle replacement and procurement forms part of this strategy that contributes to force performance by ensuring fleet acquisition and replacement with an optimum use of all resources. The strategy promotes continuous modernisation and service improvements ensuring local and national strategies are considered to drive forward a cost effective and efficient service.
  3. Similarly, there is a joint information, communications and technology strategy for Suffolk and Norfolk that aims to modernise the delivery of police services across both counties, as well as emphasising availability, security and resilience of information assets and systems. It seeks to enable modern working practices and technologies to help shape future service provision, from a modern and efficient technology base, fulfilling the objective of working at work in the same way as we work from home.
  4. In addition, there is a 7 Force collaboration programme in the east of England consisting of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Kent, Norfolk and Suffolk.

### Capital Budget Setting

- E.12 The capital programme is developed through the service and financial challenge governance process that uses Outcome Based Budgeting principles. The Challenge Panels are informed by the Force Management Statement (FMS) that forecast demand changes for the Constabulary over the next four years, any gaps that exist regarding capacity or capability and the steps being taken to improve. To ensure a consistent approach is taken across all areas of the organisation, several thematic challenge panels are also considered to ensure any cross-cutting issues are picked up.
- E.13 As part of this process there is a capital challenge panel meeting with the Director of ICT, Head of Estates and Head of Transport to review the most significant elements of the programme and ensure these are consistent with the current strategies and policies previously mentioned. The panel consists of the DCCs of Suffolk and Norfolk, CFOs from Suffolk and Norfolk, Head of Finance and the Head of Strategic Business Operational Services.
- E.14 Heads of all other departments put forward smaller capital bids in their submission documents and these are also assessed by a challenge panel consisting of the same membership as above.
- E.15 Following the panel processes as described above there is a further review and prioritisation meeting of the DCCs and CFOs before a draft capital programme, along with the relevant agreed funding, is presented to the Chief Constables. Following this the PCCs review, amend if necessary, and finally approve the programmes.

### Identification and Prioritisation

- E.16 The identification process is initiated through the OBB challenge panel as a result of which bids are made by department heads and a draft capital programme is produced.
- E.17 The capital project proposals are prioritised with reference to a business case and considered against the following 8 factors in order of priority;
- **Mandatory** – unavoidable projects i.e. mandated or contractually obliged,
  - **Strategic Alignment** – alignment to the Police and Crime Plan,
  - **Interdependencies** – with other projects and or strategies and plans,
  - **Risk** – of not doing the project and whether this is within tolerable levels,

- **Cashable savings** – the return on investment (ROI) measured against the initial outlay,
- **Deferability/ Complexity** –The level of resource commitment, internally and externally and time critical deadlines,
- **Non-Cashable benefits** –other benefits such as service improvements and efficiency/ productivity benefits, and
- **Mitigation** – future cost avoidance.

E.18 This draft programme is then challenged and prioritised by the panel members before a final programme is put before the Chief Constable and the PCC for final sign off.

#### **Evaluation**

E.19 To evaluate the successful outcomes of the capital projects a post-project review is carried out. The depth of this review is proportionate to the project and benefits set out in the initial business case and project initiation documentation.

E.20 The review is a check on performance against the original proposal. It focusses on outcomes achieved, the extent to which benefits are being realised and actual costs against forecasts. This enables lessons learned information to inform improvements in the overall process.

#### **Collaboration and Cost Sharing**

E.21 The estates capital programme for Suffolk is a sovereign programme and is in line with the current Suffolk Estates Strategy. Spend on vehicles is also funded on a non-collaborated basis, although the strategy for investment is in line with the Joint Transport Strategy. ICT-related spend on refreshing desktops and monitors in Suffolk premises is also Suffolk-only spend.

E.22 Most other spend including the replacement of ICT infrastructure, the purchase of short-life assets such as body worn video, mobile devices, and high tech crime kit is funded collaboratively with Norfolk on the ratio of net revenue budget.

#### **Implementation and Monitoring**

E.23 Monitoring of the capital programme in-year is undertaken monthly, using commitment information to understand the projected outturn of the programme. This view is then incorporated into the monthly revenue and capital monitoring reports that are presented to the Chief Constables and the PCCs. These reports

give information about under or over-spends against the revenue and capital budgets and consider the revenue implications of capital spending.

- E.24 Progress on capital schemes is reported on a quarterly basis to a Capital Planning and Monitoring meeting that then reports into the Organisational Board. The membership of the capital meeting consists of CFOs, finance practitioners, the Director of ICT, Head of Estates and the Head of Transport.
- E.25 In addition, following approval of the capital programme a project manager is identified for each key project. The project manager is responsible for managing implementation and delivering against the project objectives. The project manager will produce the project plan for approval. Progress against the plan is reported to the quarterly meeting and monitored through monthly highlight reporting. Overall monitoring of specific programme risks is also undertaken.
- E.26 Detailed implementation work is assigned to key individuals and overseen by the specific Project Boards as per the governance model set out in E.5 above.

### Capital Funding

- E.27 All capital expenditure has to be funded through the Police Fund, either through income received in the year or through the use of reserves. For the purposes of this strategy, the term 'funding' relates to the use of current income or reserves to fund capital expenditure. The term 'financing' relates to how the asset is to be paid for, e.g. internal borrowing (cash balances) or external borrowing.
- E.28 The capital programme needs to be fully funded over the life of the MTFP and more information on this is set out below. As part of the MTFP process it is ensured that a balance of the funding sources is used to ensure an adequate and sustainable level of reserves remain at the end of the planning period. More information on this is set out in the Reserves Strategy. This is a strong financial indicator of the affordability and sustainability of the capital programme.
- E.29 Capital can be funded from a number of different sources, including:

### Capital receipts

- Capital receipts are generated from the sale of existing capital assets. Proceeds from the sale of assets are either used to fund capital expenditure in the year of receipt or set aside in the Capital Financing and Efficiency Investment Reserve to fund capital expenditure arising in future years.
- This method of funding has been utilised significantly in previous years, as the PCC has disposed of non-operational or surplus property, such as police houses or traditional police stations. As the PCC's estate has been

downsized and modernised, the opportunity to fund capital expenditure using capital receipts will be significantly diminished beyond the medium term.

### Capital grant

- Direct funding from government capital grants has been a principal source of funding in previous years. Non-specific government capital grants have been made available through a formula-driven allocation but have been withdrawn from 2022/23.
- Where relevant and appropriate the PCC will aim to secure specific grant opportunities, either from Central Government or through collaboration with public sector or other partnership bodies.

### Reserves

- Income surpluses that have been set aside from previous years and transferred to reserves can be used to fund capital expenditure. The Capital Financing and Efficiency Investment Reserve is specifically used to ring fence funding for future capital expenditure.
- As reserves are consumed to fund capital expenditure and pump prime efficiency initiatives, the level of reserves available to fund future capital expenditure needs to be replenished through the accumulation of future budget surpluses.
- As capital expenditure has been internally financed in previous years from internal cash balances, not all PCC reserves are cash-backed. Therefore, even though reserves are used to fund capital expenditure, there may still be a need to finance the expenditure using external borrowing.

### Direct Revenue Funding

- In the budget delegated to the Chief Constable there is an element of the current revenue budget that funds capital expenditure, any amount funded in this way will be charged directly to the Police Fund.
- To maintain the level of investment required in short-life assets, over the life of the MTFP direct revenue funding is being used to compensate for the reduction in other funding sources described above.

### Minimum Revenue Provision

- Accumulated capital expenditure not funded using methods outlined above is called the Capital Financing Requirement (CFR). This balance is funded

using minimum revenue provision (MRP). There are a number of MRP options available to fund this balance. The method adopted by the PCC is the asset life method, where the associated asset is funded using either equal instalments or on an annuity basis as follows:

- MRP is charged against the Police Fund annually and effectively reduces the CFR.
- The PCC has adopted a position where only long-life assets are funded using MRP. As other funding sources dry up, it is possible that short-life assets may be funded using this method. However, in the longer-term funding short life assets in this way is not sustainable and there will be a greater need to fund from direct revenue as outlined above.
- MRP is also the funding method for assets financed via private finance initiatives (PFI) or finance leases. MRP is calculated as equivalent to the principal repayment of the PFI or lease liability in the year.

### Capital Financing and Borrowing

E.30 Capital expenditure can be financed in the following ways:

- **Capital grants received or capital receipts from asset sales.** These generate cash balances and these are directly used to finance capital expenditure. Where in-year revenue funding of capital takes place, financing is made from in-year income sources.
- **Internal borrowing.** Where cash or investment balances have increased over a period of time as reserves have accumulated, these balances can be used to finance the acquisition of assets. This decision is often made as the investment returns received are normally lower than the interest that would be payable if the capital expenditure is financed using external borrowing.
- **External borrowing.** This method is used to finance capital expenditure where the above options are unavailable. External borrowing can be obtained from a number of sources:
  - PFI – Private finance is secured to finance the schemes which form part of a Public/Private Partnership. Suffolk have used this method to finance six Police Investigation Centres across Suffolk and Norfolk.
  - Nationally, new PFI arrangements have significantly reduced in number and the Government have now withdrawn support for future schemes.



- Leases – Some assets have been secured using leasing arrangements. With the advent of Prudential borrowing, leases are less popular as they are generally an expensive financing route. However, with the introduction of a new leasing Standard (IFRS 16), property lease liabilities will be brought onto the balance sheet and form part of the CFR and attract MRP.
- Prudential borrowing – with the introduction of the Prudential Code, local government bodies have been able to secure external borrowing on favourable terms, providing their borrowing is prudent, affordable and sustainable. Unfunded long-life assets are therefore primarily financed using this method.
- Historically external borrowing has principally been sourced from the Public Works Loans Board (PWLB), where finance is available on fixed or variable rates over varying terms and repayable on a maturity or an annuity basis.
- The PCC is not expected to source new borrowing throughout the medium-term to finance capital expenditure. If future borrowing is secured through the PWLB, the PCC is able to take advantage of the Certainty Rate (20 basis point discount), available where projected future borrowing requirements are indicated to the PWLB in advance.

## Appendix F

### Reserves Strategy

#### Introduction

- F.1 It is important to consider the PCC's reserves at the same time as the budget to ensure that resources are available to fund spending at a level commensurate with the needs of the PCC and Constabulary. Forecasting cash flows and balances over the budget period ensures efficient and effective financial management and avoids unnecessary finance charges. Reserves are held for either general purposes (such as working capital or to cover exceptional unforeseen circumstances) or earmarked for specific purposes. The PCC complies with the definition of reserves contained within CIPFA's Accounting Code of Practice.
- F.2 The strategy requires an annual review of reserves to be undertaken and reported to the PCC. This reflects guidance on reserves issued by CIPFA. The most recent guidance requires an annual review of reserves to be considered by the PCC as part of good practice in the management of financial reserves and balances.
- F.3 The minimum prudent level of reserves is a matter of judgement rather than prescription. Neither CIPFA nor statute sets a minimum level of reserves. In determining the level and type of reserves, the PCC has to take into account relevant local circumstances and the advice of the Chief Constable and CFO in making a reasoned judgement on the appropriate level of its reserves.
- F.4 In order to assess the adequacy of reserves when setting the budget, the PCC, on the advice of the CFO, should take account of the strategic, operational and financial risks facing the organisation. This assessment of risk should include external risks, as well as internal risks, for example the ability to deliver planned efficiency savings.
- F.5 The ultimate use of reserves will be dependent upon both the timing and level of costs and saving over the period of the Medium-Term Financial Plan (MTFP).
- F.6 This strategy should be read in conjunction with the MTFP.

#### Assessment of Adequacy

- F.7 The **General Reserve** is held to enable the PCC to manage unplanned or unforeseen events. In forming a view on the level of the General Reserve, account is taken of the level of financial control within the organisation and

comparisons with similar bodies. Also taken into account is the risk of unforeseen expenditure occurring, risk of failure to deliver the savings programme and sensitivity analysis of changes in assumptions included in the plan.

- F.8 Within the MTFP appropriate estimates are made on a number of key items including provision of pay and price rises, as well as a forecast of interest movements. In addition, prudent assumptions are made for the forecast capital programme and for future capital receipts included in the plan. These estimates and assumptions are taking into account the general financial climate to which the authority is subject.
- F.9 Suffolk Constabulary has generally managed its demand-led pressures within its budget envelope year-on-year, and where appropriate has used earmarked reserves to meet additional significant demand pressures.
- F.10 Since 2010 the Constabulary has a proven track record of delivering efficiency savings year-on-year that will total £36.4m by the end of 2021/22.
- F.11 In this MTFP robust detailed savings plans are in place for 2022/23. These are outlined in [Appendix C](#). The Chief Constable and PCC are committed to continuing to deliver efficiency and productivity gains in each year of the plan.
- F.12 The General Reserve will be increased to £4.66m (approximately 3% of the Constabulary's net revenue budget) during the life of the MTFP. This will be increased in three stages with an increase to £4.53m by the end of 2023/24, to £4.61m by the end of 2024/25 and to £4.66m by the end of 2025/26. This is a prudent and adequate amount to hold as a General Reserve. This is shown in [Appendix F1](#).

#### **Earmarked Reserves**

- F.13 These are reserves that are held for a specific purpose, whereby funds are set aside for future use when that specific purpose arises.
- F.14 The level of reserves and predicted movement for these reserves is set out in [Appendix F1](#). All reserve levels are reviewed annually.
- F.15 The purpose and strategy for each reserve is set out below:
- The **Budget Reserve** is forecast to be £5.6m at 31 March 2021. Should any in-year underspends occur over the life of the medium-term plan they will be added to this reserve and held as a contingency against the increasing number of future demand led pressures and would also act as a contingency to increases of assessed insurance liabilities in excess of insurance budgets and provisions.

- The **Change Reserve** is used to fund the cost of change and/ or to pump prime invest-to-save activities.
- The **Capital Financing and Efficiency Investment Reserve** is used to fund the short-life asset element of the Capital Programme when the amount required for investing/ refreshing in modernising technologies exceeds budget available for this purpose. The capital programme is shown in **Appendix D** of the MTFP.
- The **Specified Purpose Fund** relates to funds allocated for specific purposes including partnership funding and is predicted to be fully used by the end of 2021/22.
- The **Regional Partnership Reserve** relates to funds allocated for regional activity including the Eastern Region Special Operations Unit and is predicted to be fully used by the end of 2021/22.
- The **Crime and Disorder Reduction Reserve** is made up from underspends against the PCC's Commissioning budget which have been earmarked to fund future commissioning initiatives.
- The **PCC reserve** is made up from previous underspends against the budget for the Office of the Police and Crime Commissioner. The plan is to hold this at £0.585m over the life of the plan, but review this on an annual basis. This reserve is in essence a general contingency reserve.
- The **Safecam Reserve** is made up from previous underspends against the approved safety camera annual budget. The use is reviewed and agreed at the Driver Offender Re-training Governance Board.

### Compliance with Home Office Guidance on Reserves

- F.16 On 31 March 2018 the Minister for Policing and the Fire Service published new guidance on the information that each PCC must publish in terms of reserves. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:
- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
  - Funding for specific projects and programmes beyond the current planning period.
  - As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management.

- F.17 This information is provided in **Appendix F2** which analyses the forecast balance on 31 March 2021 over the above headings.

### **Conclusion**

- F.18 The current policy, as demonstrated in the MTFP, is to maintain general reserve balances close to an operational guideline level of 3.0% of the net annual revenue budget. This is an acceptable and appropriate position to be in as the prolonged period of fiscal tightening continues.
- F.19 The earmarked reserves have been described and the strategy is to keep these for specific purposes, and at an appropriate level that ensures taxpayer's money is being used as efficiently as possible. The strategy is to contribute to the Capital Financing Reserve to keep this at an appropriate level through the plan.
- F.20 Having considered the levels of reserves included in the MTFP, and acknowledging the Chief Constable's commitment to work with the PCC to maintain a balanced budget over the period of the MTFP without further reliance on reserves (with the exception of the planned use of the Change and Capital Finance Reserves), and taking account of the approach to managing financial risk described in the report, my advice is that there will be adequate general and earmarked reserves to continue the smooth running of the PCC and Constabulary's finances over the medium-term financial planning period.

## APPENDIX F1 - FORECAST MOVEMENT IN GENERAL AND EARMARKED RESERVES 2021/22 to 2025/26

	General	Budget	Change	Capital Financing and Efficiency Investment Reserve	Specified Purposes Fund	Regional Partnership reserve	Crime and Disorder Reduction Reserve	PCC Reserve	Total	Safecam Reserve
	£000	£000	£000	£000	£000		£000	£000	£000	£000
<b>31/03/2021 Actual</b>	<b>4,000</b>	<b>5,500</b>	<b>260</b>	<b>4,354</b>	<b>986</b>	<b>145</b>	<b>452</b>	<b>585</b>	<b>16,282</b>	<b>349</b>
<b>Proposed Changes 2021/22:</b>										
Use of Reserves - collection fund deficit	-	(223)	-	-	-	-	-	-	(223)	-
Use of reserves – other	-	-	-	-	(986)	(145)	-	-	(1,131)	-
Contribution to Reserves	300	600	800	1,036	-	-	-	-	2,736	-
Transfer from Budget Reserve	-	-	-	-	-	-	-	-	-	-
Reallocation of Reserves	-	(312)	312	-	-	-	-	-	-	-
7 Force Collaboration Contribution	-	-	(133)	-	-	-	-	-	(133)	-
<b>31/03/2022 Forecast</b>	<b>4,300</b>	<b>5,565</b>	<b>1,239</b>	<b>5,390</b>	<b>-</b>	<b>-</b>	<b>452</b>	<b>585</b>	<b>17,531</b>	<b>349</b>
<b>Proposed Changes 2022/23:</b>										
Use of Reserves - capital financing	-	-	-	(1,417)	-	-	-	-	(1,417)	-
Use of Reserves - collection fund deficit	-	1,097	-	-	-	-	-	-	1,097	-
Contribution to Reserves	200	-	-	1,453	-	-	-	-	1,653	-
7 Force Collaboration Contribution	-	-	(120)	-	-	-	-	-	(120)	-
<b>31/03/2023 Forecast</b>	<b>4,500</b>	<b>6,662</b>	<b>1,119</b>	<b>5,426</b>	<b>-</b>	<b>-</b>	<b>452</b>	<b>585</b>	<b>18,744</b>	<b>349</b>

**APPENDIX F1 CONTD. - FORECAST MOVEMENT IN GENERAL AND EARMARKED RESERVES 2021/22 to 2025/26**

	General	Budget	Change	Capital Financing and Efficiency Investment Reserve	Specified Purposes Fund	Regional Partnership reserve	Crime and Disorder Reduction Reserve	PCC Reserve	Total	Safecam Reserve
	£000	£000	£000	£000	£000		£000	£000	£000	£000
<b>31/03/2023 Forecast</b>	<b>4,500</b>	<b>6,662</b>	<b>1,119</b>	<b>5,426</b>	-	-	<b>452</b>	<b>585</b>	<b>18,744</b>	<b>349</b>
<b>Proposed Changes 2023/24:</b>										
Use of Reserves - ESN funding	-	-	-	(1,917)	-	-	-	-	(1,917)	-
Use of Reserves - collection fund deficit	-	(145)	-	-	-	-	-	-	(145)	-
Reallocation of Reserves	-	(1,917)	(304)	2,221	-	-	-	-	-	-
Contribution to Reserves	30	-	-	408	-	-	-	-	438	-
<b>31/03/2024 Forecast</b>	<b>4,530</b>	<b>4,600</b>	<b>815</b>	<b>6,138</b>	-	-	<b>452</b>	<b>585</b>	<b>17,120</b>	<b>349</b>
<b>Proposed Changes 2024/25:</b>										
Use of Reserves	-	-	-	(576)	-	-	-	-	(576)	-
Use of Reserves - ESN funding	-	-	-	(1,917)	-	-	-	-	(1,917)	-
Reallocation of Reserves	-	(1,917)	-	1,917	-	-	-	-	-	-
Contribution to Reserves	80	-	-	-	-	-	-	-	80	-
<b>31/03/2025 Forecast</b>	<b>4,610</b>	<b>2,683</b>	<b>815</b>	<b>5,562</b>	-	-	<b>452</b>	<b>585</b>	<b>14,707</b>	<b>349</b>
<b>Proposed Changes 2025/26:</b>										
Use of Reserves	-	-	-	(1,349)	-	-	-	-	(1,349)	-
Contribution to Reserves	50	-	-	-	-	-	-	-	50	-
<b>31/03/2026 Forecast</b>	<b>4,660</b>	<b>2,683</b>	<b>815</b>	<b>4,213</b>	-	-	<b>452</b>	<b>585</b>	<b>13,408</b>	<b>349</b>

## APPENDIX F2 – FORECAST RESERVES AT 31 MARCH 2021 (ANALYSED BY HOME OFFICE CATEGORIES)

	Forecast Balance at 31 March 2021 £m	Funding for projects and programmes over period of current MTFP £m	New contributions during life of MTFP	Funding for projects and programmes beyond 2024/25 £m	General Contingency £m
<b>General Reserve</b>	<b>4.300</b>	-	<b>(0.360)</b>	-	<b>4.660</b>
<b>Earmarked Reserves:</b>					
Budget Reserve	5.565	3.979	(1.097)	2.683	-
Change Reserve	1.239	0.424	-	-	0.815
Capital Financing Reserve	5.390	7.176	(5.999)	4.213	-
Specified Purposes Fund	0.000	0.000	-	-	-
Regional Partnership Reserve	0.000	0.000	-	-	-
Crime and Disorder Reduction Reserve	0.452	0.000	-	0.452	-
PCC Reserve	0.585	0.000	-	-	0.585
<b>Total Earmarked Reserves</b>	<b>13.231</b>	<b>11.579</b>	<b>(7.096)</b>	<b>7.348</b>	<b>1.400</b>
<b>Safecam Reserve</b>	<b>0.349</b>	-	-	<b>0.349</b>	-
<b>Total Reserves</b>	<b>17.880</b>	<b>11.579</b>	<b>(7.456)</b>	<b>7.697</b>	<b>6.060</b>



## Appendix G

### Minimum Revenue Provision Policy and Statement 2022/23

#### Introduction

- G.1. The PCC is required to make a charge against the revenue budget each year in respect of capital expenditure financed by borrowing (including internal borrowing) or credit arrangement. The annual charge is set aside for the eventual repayment of the loan and is known as the Minimum Revenue Provision (MRP). This is separate from any annual interest charges that are incurred on borrowing.
- G.2. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 amend the way in which MRP can be calculated so that each authority must consider what is 'prudent'. The regulations are backed up by statutory guidance which gives advice on what might be considered prudent.

#### Options for Making Prudent Provision

- G.3. Four options are included in the guidance, which are those likely to be most relevant for the majority of local government bodies. Although other approaches are not ruled out, local government bodies must demonstrate that they are fully consistent with the statutory duty to make prudent revenue provision.

#### Option 1 – Regulatory Method

- G.4. Authorities may continue to use the formulae put in place by the previous regulations.

#### Option 2 – Capital Financing Requirement Method

- G.5. Under this option, MRP is equal to 4% of the non-housing capital financing requirement at the end of the preceding financial year.

#### Option 3 – Asset Life Method

- G.6. This is to make provision over the estimated life of the asset for which the borrowing is undertaken. This could be done by:
- (a) Charging MRP in equal instalments over the life of the asset
  - (b) MRP is the principal element for the year of the annuity required to repay over the asset's useful life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take

account of repayment by other methods during repayment period (e.g. by the application of capital receipts) should be made as necessary.

#### **Option 4 – Depreciation**

- G.7 MRP is deemed to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment charged to the income and expenditure accounts.
- G.8 The regulations make a distinction between capital expenditure incurred before 1 April 2008 and capital expenditure incurred from 1 April 2008 in terms of the options available.
- G.9 Options 1 and 2 are to be used for capital expenditure incurred pre April 2008. Options 3 and 4 are to be used for Capital expenditure incurred post April 2008.

#### **MRP Policy**

- G.10 Before 1 April 2019 the option adopted for expenditure incurred after 1 April 2008 was Option 3(a) (Equal Instalment method). This method was deemed prudent whilst assets were primarily being internally financed.
- G.11 As reserves, cash and investment balances have been consumed following the decrease in direct government funding, it is now necessary to externally finance capital expenditure on long life assets. The current preferred financing method is via the Public Works Loans Board (PWLB) borrowed on an annuity basis.
- G.12 Option 3(b) (Annuity Method) is adopted for capital expenditure chargeable as MRP for the first time after 1 April 2019. The principal reason for this change was for the charge to revenue to reflect the capital repayment basis on the associated finance. This method will adopt a similar MRP basis as those assets financed through lease or PFI arrangements.
- G.13 The revised Statutory Guidance released on 2 February 2018 stipulates that this change in policy cannot be applied retrospectively to assets placed in service prior to the date the revised policy was introduced. Therefore, Option 3a still applies to capital expenditure chargeable as MRP for the first time prior to 1 April 2019.

#### **Recommendations**

- G.14 It is proposed that the following MRP policy is adopted as follows for 2022/23:

- Capital expenditure incurred before April 2008 is treated in accordance with Option 1 of the regulatory guidance.
- Capital expenditure chargeable as MRP for the first time *from* 1 April 2008 to 31 March 2019 is treated in accordance with Option 3(a) of the regulatory guidance.
- Capital expenditure chargeable as MRP for the first time *after* 1 April 2019 is treated in accordance with Option 3(b) of the regulatory guidance.

## Appendix H

### COUNCIL TAX and BUDGET OPTIONS 2022/23

	Option 1	Option 2
<b>Options for Percentage Increase in Council Tax Bills:</b>	<b>1.96895%</b>	<b>4.20295%</b>
<b>2022/23 Recommended Budget Summary:</b>	£-p	£-p
Operational Costs before Savings	145,984,275.20	145,984,275.20
Specific Grants (excluding Council Tax Freeze Grants)	(6,798,584.00)	(6,798,584.00)
New savings from 2022/23	(2,001,000.00)	(2,001,000.00)
(Savings to be Identified)/ Surplus to be Invested	-	-
Known Changes	4,754,631.00	6,129,631.00
Revenue Funding of Capital	5,058,972.00	5,058,972.00
<b>Appropriations to Reserves</b>	<b>1,212,601.26</b>	<b>1,213,009.25</b>
<b>Total Budget</b>	<b>148,210,895.46</b>	<b>149,586,303.45</b>
<b>Budget financed by:</b>		
Police Grant	50,147,874.00	50,147,874.00
Ex-DCLG Formula Funding	27,401,286.00	27,401,286.00
Operation Uplift Grant	-	-
Council Tax Freeze Grant (for no precept increase in 2011/12)	1,030,300.00	1,030,300.00
Council Tax Freeze Grant (for no precept increase in 2012/13)	-	-
Council Tax Freeze Grant (for no precept increase in 2013/14)	430,720.00	430,720.00
Council Tax Freeze Grant (for no precept increase in 2014/15)	433,830.00	433,830.00
Council Tax Freeze Grant (for no precept increase in 2015/16)	-	-
Collection Fund Surplus	1,096,740.00	1,096,740.00
CT Support Funding Allocation	4,890,930.00	4,890,930.00
<b>Council Tax Requirement (based on 259,022 tax base)</b>	<b>62,779,215.46</b>	<b>64,154,623.45</b>
	<b>148,210,895.46</b>	<b>149,586,303.45</b>

Council Tax Bands 2022/23	Option 1		Option 2	
	Rate £	Annual Increase £	Rate £	Annual Increase £
A	161.58	3.12	165.12	6.66
B	188.51	3.64	192.64	7.77
C	215.44	4.16	220.16	8.88
<b>D</b>	<b>242.37</b>	<b>4.68</b>	<b>247.68</b>	<b>9.99</b>
E	296.23	5.72	302.72	12.21
F	350.09	6.76	357.76	14.43
G	403.95	7.80	412.80	16.65
H	484.74	9.36	495.36	19.98