REPORT TO THE NORFOLK POLICE AND CRIME PANEL
2 FEBRUARY 2021

PROPOSED PRECEPT FOR 2021/22

Executive Summary

This report outlines the budget and financial impact of the 2021/22 precept option upon which the Police and Crime Commissioner (PCC) has consulted:

- **To increase council tax by 5.68% per annum at Band D (£14.94).**

NB Increases of £15.00 or more would trigger a local referendum.

The report also sets out the Medium Term Financial Plan (MTFP) 2021/22 to 2024/25 including the Capital Programme, together with various Financial Strategies that must be published by the PCC. A high-level summary of the precept option is set out in the table below. See Appendix B (i) for more detail.

Increase Council Tax by 5.68% per annum (£14.94)

5.68% (£14.94) Council Tax increase	Budget 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Total Funding (Grant + Precept)	(183,056)	(183,187)	(183,187)	(183,545)
Net Revenue Budget before changes and savings	176,186	180,154	183,855	187,628
REVENUE SURPLUS BEFORE KNOWN CHANGES	**(6,870)**	**(3,033)**	**667**	**4,083**
Known / Expected Changes	12,617	11,716	10,973	7,319
Planned use of reserves	(1,739)	(2,422)	(1,711)	1,846
REVENUE DEFICIT BEFORE SAVINGS	**4,009**	**6,261**	**9,930**	**13,248**
Planned Savings	(4,010)	(4,177)	(4,232)	(4,287)
Savings to be identified	0	(2,084)	(5,698)	(8,961)
REVENUE DEFICIT/(SURPLUS) AFTER SAVINGS	**0**	**0**	**0**	**0**

A precept increase, equal to 22 pence per week for a Band B property or 29 pence per week at Band D, will allow the constabulary to keep their current levels of service in the face of increasing demands and also tackle the new challenges that we are facing.

The constabulary and Office of the Police and Crime Commissioner will establish a team dedicated to dealing with the most dangerous domestic abusers across the county. Additional frontline policing resource will increase visibility and targeting those offenders who cause the most harm to our communities. There will also be further investment in staff with the expertise to tackle the growing volume of offences with a digital footprint such as fraud.

Based on information provided by Norfolk’s Chief Constable, the PCC proposes to raise the policing part of local council tax by 5.68% in order to help maintain current levels of service and enable your police service to tackle the new challenges they are facing.

Recommendation

It is recommended that the Police and Crime Panel:

a) notes the Revenue Budget and Capital Programme for 2021/22, the Medium Term Financial Plan 2021/22 to 2024/25 and the funding and financial strategies, and

b) endorses the Police and Crime Commissioner’s proposed precept increase of 5.68% for 2021/22.

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Introduction from the PCC

Four and a half years ago, the people of Norfolk did me the great honour of asking me to be their Police and Crime Commissioner. I pledged then to do all in my power to keep our county safe, to protect the vulnerable and to support victims of crime. I undertook to ensure an effective and efficient police force equipped with the 21st century tools to prevent and tackle 21st century crime. I also committed to be a good steward of police resources, and over the last four years the support of the people of Norfolk has made it possible for me to invest in key areas of policing that are vital to the Constabulary remaining fit for purpose against the changing face of crime and increases in demand and complexity.

People continue to tell me that visible policing is a priority and I have worked hard with the Constabulary to champion that priority. By the end of January 2021, there will be over 200 extra police officers operating in Norfolk in uniform and detective roles compared to when I took office in 2016. We have strengthened neighbourhood policing by increasing the number of Beat Managers and Rural Beat Managers across the county to 104. We have raised our game, as I promised, to engage personally with communities across the county.

I have supported the Constabulary to maximise efficiency and effectiveness by equipping officers with the modern tools they need to fight crime. Today, every frontline officer is equipped with a body worn camera, both to gather evidence and to enhance their personal safety. We have an impressive drone fleet helping to find missing persons, track down hare coursers and prevent and detect crime. Gone are the days of officers using notebooks and pencils - our officers are now equipped with tablets to record evidence and send it back electronically to the police station allowing them to get on with the next job. We have put powerful resources on our roads through Automated Number Plate Recognition technology to keep Norfolk safe and to track down suspect individuals of interest. These resources have delivered genuine gains thanks to the support of police staff without whose hard work this would not be possible.

At the same time, we have concentrated our efforts and put greatly increased resources into protecting the most vulnerable members of our communities, and helping victims of crime back to a better life. The demands on policing have grown exponentially and the complexity of crime investigation increased enormously. Traditional crimes such as robbery and burglary are down; crimes of violence including sexual exploitation of children and adults are on a steep upward curve. Today nearly 25% of recorded crime is related to domestic abuse. Cybercrime, including fraud has gone through the roof. These are enormously complex, time-consuming and demanding crimes to investigate, but no victim should be left behind.

We can be proud that our police force has been assessed by national inspectors as outstanding for efficiency, and that we remain one of the safest counties in the country – but the hard fact is that none of this comes cheap. Norfolk Constabulary has done wonderful things, particularly in partnership with our sister county Suffolk, to make tens of millions of pounds of efficiency savings over the past decade. Yet our budget is still groaning under the financial strain as we absorb burgeoning high cost demands - such as a new three-year educational qualification for all police officers, an apprenticeship levy and increased insurance premiums.

Taking all of these financial burdens into consideration and before launching my consultation with the people of Norfolk, I instructed the Chief Constable to present to me a plan to maintain the level of policing services that residents have come to expect and, where possible, enhance services in areas of particular demand or threat to the safety of our communities.

In response, he said a maximum rise in the police precept would be required to ensure that Norfolk Constabulary can continue to provide current levels of service and also confront challenges to keeping Norfolk safe, such as continued high demand associated with domestic abuse and rising reports of fraud.

The Chancellor in his November Spending Review capped the maximum precept increase at 5.68% for Norfolk. The Chief Constable has assured me that, should I agree this maximum rise, he will also commit to a further increase in neighbourhood policing, ensuring more warranted officers are engaging with communities across Norfolk.

Furthermore, the maximum increase will allow for additional resources to deal with those dangerous individuals involved in incidents of domestic abuse across our county, as well as resources to help trace those using new technology to scam Norfolk residents out of their hard-earned money.

Without this increase, the Chief Constable informed me that we simply cannot afford to continue to deliver the police service that people have come to expect. The financial pressure this year is once again severe, with the Force having to find an additional £4 million worth of savings. If the precept is not raised, the Chief Constable has also told me there may be an impact on staffing levels within the Constabulary.

As the PCC, I want to be able to reassure every man, woman and child in Norfolk that they will continue to receive an excellent police service. I also want to be able to ensure job security for those who have helped protect us during such unsettling times, whether they are police officers or the police staff who are absolutely integral to providing and maintaining an effective service.

I fully appreciate these are really tough times for our Norfolk community, ravaged as it is by the continuing consequences of a pandemic. I know that the last thing people want to hear is a proposal for increased demands on their household budgets. And yet, we absolutely must do all possible to keep our community, our vulnerable, our families, our young people, and yes, ourselves safe, while preserving the gains you, as Norfolk taxpayers, have helped us make.

Based on the information provided by the Chief Constable, I propose to increase the police precept by 5.68% in order to maintain current levels of the policing service and to tackle the new challenges that the police are faced with going forward.

A 5.68% rise represents 22 pence per week for a Band B property or 29 pence at Band D.

A view from the Chief Constable

The past year has brought unprecedented demands for our organisation. We have met the challenge of policing the coronavirus pandemic whilst responding to exceptional levels of emergency calls. Crime rates for burglary, robbery, theft, vehicle crime and criminal damage have all fallen. However, we continue to see increasing levels of violent crime, of which sadly, the majority of the increase is as a result of domestic abuse in the home.

We have also continued to improve our service through the Norfolk 2020 change programme; an incredible amount has been achieved and we have undergone one of the biggest restructures in the force's history. This radical reform was developed through significant consultation and ideas from our workforce, the PCC, members of the public and evidence from our data.

With the support of the PCC, we have increased the number of police officers on the beat. When those officers arrive at incidents, the PCC's investment in body worn video, drones and mobile technology means that they have the right tools needed to tackle modern day criminality.

These extra officers have allowed us to establish Neighbourhood Policing Teams and a number of proactive policing teams called Operation Moonshot. Since recording began in 2016, Moonshot teams across the force have stopped 3,123 vehicles, made 2,647 arrests and from 2018 charged 1,978 of those for various offences with more than £700,000 worth of property seized. In addition, over the last year we have also been recruiting additional officers as part of the government's Uplift programme.

In the battle against county lines drug dealing, organised crime and crimes that impact our communities, we have made thousands of arrests resulting in long term prison sentences for many offenders. We have recently received national funding to establish a new team called Operation Adder. The Adder Team will further target drug supply and also protect those who are vulnerable and at risk of criminal exploitation.

We have recently opened our new Swaffham Police Station, developed as part of our innovative investigation hubs model. This new facility brings resources and skills together under one roof for a one-team approach, with the support of the brand new police staff role of Police Digital Investigators. This small but growing team are already making a huge difference in helping detectives with the complexities of the digital elements of their investigations.

We have a scalable, adaptable policing model, capable of facing the demands of modern policing, which provides a foundation we can build upon and enhance in the future. The team responsible for leading this programme will carry on their work, continuously improving our policing service, through a new programme of work called Norfolk Horizons. Her Majesty's Inspectorate of Constabulary & Fire and Rescue Services (HMICFRS) continue to rate us as outstanding for our efficiency, having delivered £36m of savings in the last decade, £21m as a result of our collaboration with Suffolk Constabulary.

This year was always going to be a milestone for us, with the overarching aim of creating a workforce best-placed to tackle the challenges of modern policing. If we ever needed a test to demonstrate the resolve of our new policing model, then we've certainly had it with the coronavirus pandemic. It's a challenge we've faced head-on and we believe we have continued to deliver a first-class service to our communities.

As we move into a new year we remain determined to keep you safe and to target those who threaten our communities. Recognising the economic challenges facing us all, we have identified approximately £4m of further savings this year, mainly through modernising our support office functions. Any additional savings would require a reduction in service and the loss of jobs.

However, with population growth, increasing demand and inflationary pressures on our budget, the savings we have made do not give me enough funding to maintain the service that you would expect from us.

I regularly hear your calls for more visible policing and I also cannot ignore the truly shocking rises in domestic abuse that we are now experiencing, with over 25% of all crimes recorded now being the result of a domestic incident. We are also sadly seeing a growing number of victims of fraud, particularly amongst the elderly. Criminals, many who reside outside of our county, are increasingly using digital communications to scam victims out of their savings.

A precept increase equal to 22p a week for a Band B property or 29p a week for a Band D property will allow us to keep our current levels of service and tackle the new challenges that we are facing. We will establish a team dedicated to dealing with the most dangerous domestic abusers across the County. Additional neighbourhood police officers will be increasing our visibility and targeting those offenders who cause the most harm to our communities. We will also further invest in staff with the expertise to tackle the growing volumes of offences with a digital footprint such as fraud.

CC Simon Bailey

1. Background

1.1 The decision on the level of the precept/council tax, the Revenue Budget and Capital Programme needs to be seen in the context of the funding envelope (the total of the precept and government grant), the pressures on the policing service (the changing nature of demand and price/pay increases and this year, the impact of the Covid-19 pandemic), the Police and Crime Commissioner's (PCC) priorities as set out in the Police and Crime Plan and the impact of the budget reductions necessary to balance the budget.

1.2 The decision must also be seen, not as a one-off decision in relation to next year, but as part of a strategy in relation to the changing demands on policing over the medium to long-term. The precept options and budget proposals within this report are made within the context of a rolling four year strategic and financial planning cycle. The figures contained within the strategy are based upon current information and the stated assumptions.

1.3 In accordance with the requirements of the Police and Crime Panel (Precepts and Chief Constable Appointments) Regulations 2012, a precept is proposed for 2021/22.

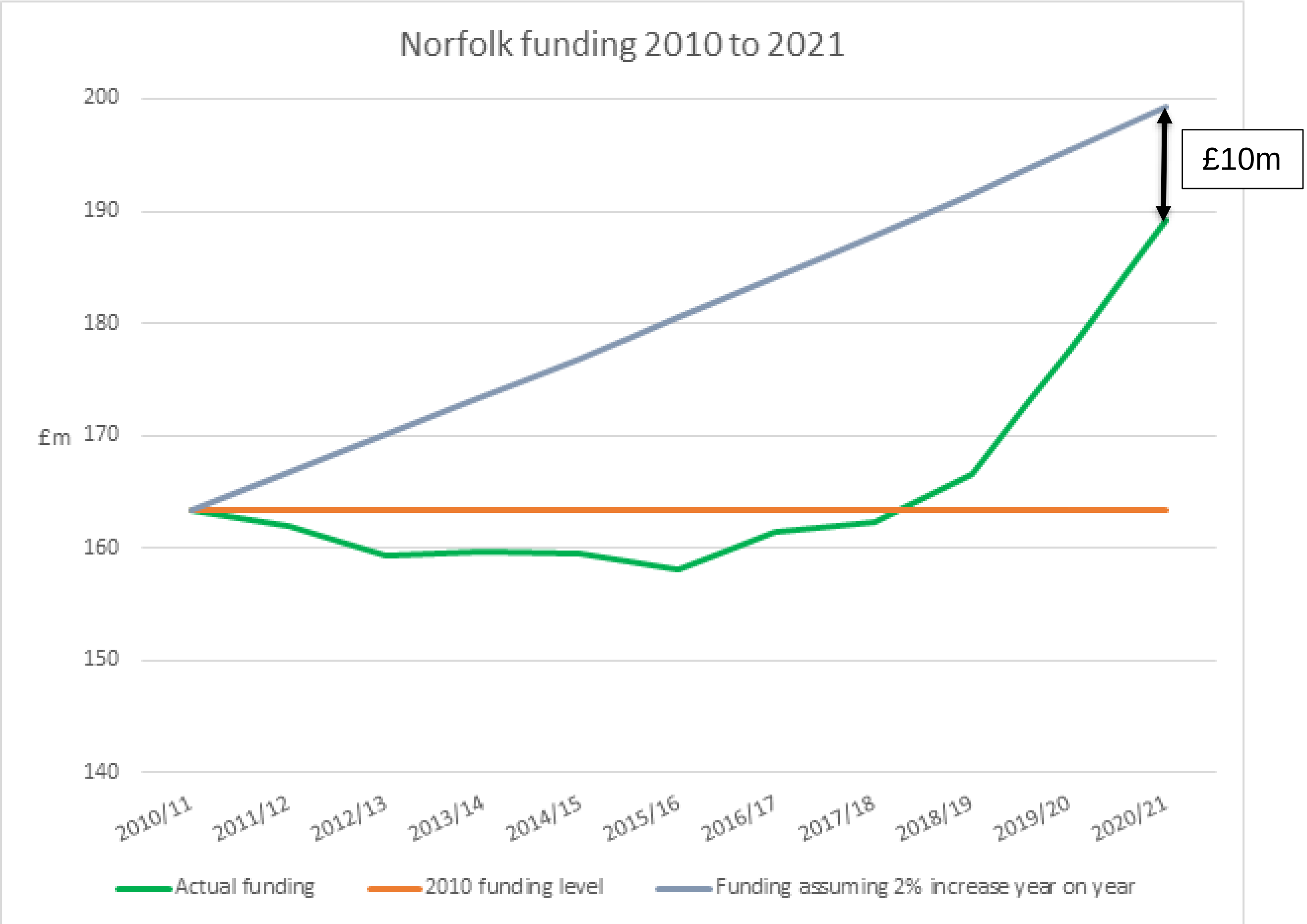
1.4 This will be the final precept proposal from the current PCC. The election for a new PCC is currently planned for 6th May 2021 and then consequently a new Police and Crime Plan will be drawn up. This will be for the next two to three years and funding requirements will be assessed in the usual manner in time for the precept discussions in January/February 2022.

2. The Funding Context

2.1 The police service has already been through 10 years of austerity. The table below shows the amount of cash received by Norfolk Constabulary from the main Home Office grant, precept from households in Norfolk, plus all specific grants. Cash levels only exceeded those of 2010/11 for the first time in 2018/19. The blue line represents the amount of money the force would have received if their grants and precept had risen broadly in line with inflation of 2% each year.

2.2 This shows that the force has absorbed significant amounts of inflation over that time and still has £10m less than 2010 in real terms. When you add the impact of other statutory and legislative changes that have increased costs to the organisation (e.g increases to National Insurance, Pensions, Insurance tax, the introduction of the Bail Act) and further add in the changing nature of crime that requires more expensive investigations, the amount the force has absorbed is even higher.

2.3 Every year, cashable savings and efficiencies have been identified. The savings help to finance the demand pressures, cover inflation costs and balance the budget. By the 31st March 2021 the Constabulary will have saved over £36m from their annual budgets.



Impact of Covid 19 and Spending Review 2020

2.4 Covid 19 has had a major impact on everyone's lives within the United Kingdom, as well as on every sector of the economy. The first national lockdown was put in place on 23rd March 2020, and then from June the restrictions were gradually eased. However, since autumn the UK has seen a resurgence of the virus, leading to the introduction of a tiered set of local restrictions, that sandwiched a period of a second national lockdown. At the point of writing this report, the new more transmissible variant of the virus has led to infection rates being at record levels, with hospital admissions higher than in the first wave, and the country has been placed into a third national lockdown with the most significant restrictions since last March.

2.5 As a result of the continued impact on the economy, the Office for Budget Responsibility (OBR) forecasts that GDP will fall by 11.3% in 2020. The UK economy is not expected to reach pre-crisis levels until the end of 2022 and levels of borrowing are forecast to peak at over £390bn in 2020/21.

2.6 The Chancellor announced the 1-year Spending Review (SR) on 25th November 2020, outlining that the review supported the government's response to Covid 19. The SR set out increases in core day to day departmental spending, and the resulting funding impact for Norfolk PCC and Constabulary is set out in the rest of this document.

2.7 However, while the settlement for Norfolk is relatively positive for 2021/22, it is clear that challenging times are ahead due to the unprecedented levels of fiscal support the government has had to undertake. With the government targets on increasing police officer numbers, any savings would have to be met from a much smaller proportion of our budget that excludes officer pay.

2.8 It is critical therefore, that the plans set out in this report ensure that the budget is not only balanced for 2021/22, but that there is financial resilience in terms of planned spending and reserve levels to absorb funding shocks that are expected to be outlined in the forthcoming 3-year Spending Review next financial year.

3. Grant Settlement

3.1 In recent years government has only issued one-year funding settlements for PCCs, and force-by-force provisional detailed grant announcements are normally made in December for funding commencing the following April. This creates a challenging planning environment, that this year has been made much more challenging due to the emergence of Covid 19 that plunged the UK economy into recession.

3.2 Despite the economic uncertainty, the Spending Review announcement on 25th November confirmed the continuation of funding for the recruitment of 20,000 additional officers for England and Wales (the Police Uplift Programme or PUP). Nationally, £415m of funding has been made available for 2021/22 to recruit another 6,000 officers (in addition to the first 6,000 officers recruited in 2020/21).

3.3 The detailed force-by-force announcement was made on 17th December 2020. This gave more detail about Norfolk's share of PUP funding and this equates to £4.6m (see the table below) that covers the cost of the officers, plus funding that supports recruitment, training, uniform provision, vehicles and the other back office functions that makes the recruitment and retention of officers possible.

3.4 The proposals in this report are based on the grant settlement for Norfolk, provisional local tax base figures and planning assumptions regarding future funding levels, on-going commitments and capital expenditure plans.

3.5 The table below provides a comparison between the 2021/22 grant settlement and 2020/21 figures.

	2020/21	2021/22	Variance	
	£000	£000	£000	%
Police Core Grant	85,476	90,864	5,388	6.3%
Ringfenced Grant (Uplift)	1,879	1,119	(760)	-40.4%
Legacy Council Tax Grants	9,305	9,305	0	0%
Total all Grants	**96,660**	**101,288**	**4,628**	**4.8%**

3.6 In addition to the general grant funding outlined above, a specific grant of £1.564m is to be received to cover an element of the increased employer contributions for the police officer pension schemes and has been maintained at 2019/20 levels for one more year (see paras 5.23 – 5.27).

3.7 In terms of precept, the written ministerial statement issued by the Minister of State for Crime and Policing, Kit Malthouse, said "PCCs will be empowered to increase their Band D precept by up to £15 in 2021/22, without the need to call a local referendum".

3.8 In the written statement the government is clear that policing must continue to focus on improving efficiency and productivity, so that it can be shown to local communities that forces are getting the most out of the increase in funding.

3.9 On top of this there are a number of expectations that the Minister sets out in the Written Ministerial Statement and the PCC and Chief Constable are committed to supporting these, and will engage with the Home Secretary in taking improvements forward with the aim to securing a positive outcome from the next Spending Review that is expected next financial year.

3.10 However, the settlement did not outline the levels of future funding within the statement, and it is also uncertain as to what Norfolk's allocation will be of the remaining 8,000 Uplift officers, so no estimate has been included at this point for either the cost or funding of a further uplift (in essence therefore assuming the allocation of cost and income will be cost neutral).

3.11 Therefore, from a prudent basis, and due to the economic uncertainty caused by the coronavirus pandemic on the forthcoming Spending Review, the assumptions for future years are based on 0% precept rise, "cash flat" central grant funding and the loss of the Pension Grant as this is only confirmed for one more year.

3.12 Prudent assumptions have therefore been included in future years, and due to the impact of inflation (including an assumption of 2% pay rises from 2022/23 onwards) and the full year impact of cost pressures, significant deficits are shown in the last three years of the plan. Contingency plans will need to be made to understand how costs could be reduced to meet these deficits, while at the same time working with the Home Office to secure a positive Spending Review outcome as outlined above.

Grant damping and the Police Funding Formula

3.13 There has been no progression on a new funding formula. As a result, there were no changes to grant damping for 2021/22 and all PCCs' core Home Office grant funding has increased by 6.3% compared to 2020/21.

4. Council Tax Income

4.1 District Councils calculate the number of dwellings on which council tax can be levied and estimate the collection rate. Variations between actual and estimated income accrue in the District Council collection funds. A surplus or deficit on the collection fund is allocated between the District Council, the County Council and the PCC in proportion to their share of the Band D council tax. In recent years there has been an overall surplus on the collection fund.

4.2 However, the impact of lockdown and ongoing restrictions has hit the economy hard as set out earlier in the report, and the County of Norfolk has been no exception. The claimant count (i.e. people claiming Job Seeker's Allowance, National Insurance Credits, and Universal Credit (for the reasons of being unemployed) rose in March following the initial lockdown and has gradually risen since then.

4.3 This impact on the job prospects of some of the population of Norfolk has seen a reduction of council tax collection rates and some districts have reported a deficit for the first time in many years. Overall the districts have estimated the 2020/21 deficit attributable to the PCC will be £0.700m and this will reduce the precept payments to the PCC in 2021/22. The government have recognised this is a challenge for councils and preceptors alike and are consulting on funding support. However, any funding that will come forward will only cover deficits relating to the impact of Covid 19 and will not cover any other back-dated deficits. This funding will cover council tax deficits that will be spread over the next 3 years.

4.4 This worsening economic impact and ongoing uncertainty has also seen a significant reduction in estimated taxbase growth. In recent years the growth has been in excess of 1.5%, and this was the assumption in the previous MTFP. However, this year taxbase calculations will be taking into account more bad debt and write off assumptions, as well seeing a rise in council tax support claims. The provisional Council Tax base figures provided by the District Councils show an increase of just 0.40%. In cash terms this is £0.861m worse for the constabulary than the pre-Covid assumption. The final figures, which are then notified to the Government, will not be available until the end of January 2021.

4.5 63% of properties in Norfolk are in Bands A to C, i.e. below Band D.

5. Medium Term Financial Plan (MTFP)

5.1 The budget and MTFP are constructed as follows: -

- The base 2020/21 budget (funding current activity) is rolled forward and repriced. The full year effect of any 2020/21-part year initiatives / change programmes is added. (See the line ‘Deficit / Surplus before Known Changes’ in the tables in the Executive Summary and on page 22).
- Known / Expected Changes are then added. These include the impact of statutory changes (e.g. pension contributions), investments as a result of increased grant and / or precept, service developments (other unavoidable base budget pressures), capital financing costs (of the revised capital programme) and finally any growth required as a result of the strategic financial planning process.
- Use of reserves is then considered. Typically, they will be used to finance short-life capital assets (over and above the budget provision), temporary revenue costs and invest to save initiatives.
- This results in a sub total - Revenue Deficit Before Savings
- Finally, the savings identified are included to balance the budget.

5.2 The MTFP remains consistent. It provides for pay and price increases, growth to meet demand and service pressures, a change programme to make the required efficiencies, and use of reserves to support one off costs, including invest to save measures and the continued investment in modernising technology to help boost productivity, and ensure an efficient and effective police force and OPCC.

5.3 The following financial planning assumptions have been used.

	Budget 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Police main grant change	0%	0%	0%	0%
Legacy council tax grants change	0%	0%	0%	0%
Council taxbase change	0.40%	-0.50%	0%	0.25%
Collection fund deficit	(£0.700m)	(£0.150m)	(£0.150m)	0
Pay awards - officers	0%	2%	2%	2%
Pay awards - staff	0%	2%	2%	2%
Non-pay inflation (average)	2%	2%	2%	2%

5.4 Following the Spending Review announcement, there has been a “pause” placed on public sector pay (except for the NHS). Therefore, for 2021/22 there will not be a pay increase. However, this was only announced as a “pause” for a year, so the prudent assumption for 2022/23 onwards is that there will be a return to pay rises of 2% each year. Non-pay inflation, while currently lower than 2%, is expected to increase over the life of the MTFP and a 2% assumption is maintained over that period.

5.5 During the first lockdown, there was a significant contraction of the economy, and as outlined in the report taxbase growth has reduced from a 1.5% assumption to 0.40% (and many counties saw an overall reduction of the taxbase). As we are now in the third national lockdown, with the impact of the more transmissible variant of the virus, the economy is once more under significant strain. It is likely therefore that during 2021/22 there will be further bad debt provisions, write offs, and claims for council tax support and that the taxbase will contract (shown in the table above as -0.5%). Given the roll-out of the vaccine, it is then expected that the economy will stabilise during the latter part of 2021/22 into 2022/23 and that will result in the taxbase contraction ending, and then starting to grow again in 2023/24.

5.6 It should be noted that assumptions in the table above could change over the period of the medium-term and the impact of these changes can be seen in the sensitivity analysis below.

	Variation	Variation
		£m
Main Government grants	1.0%	0.855
Legacy council tax grants	1.0%	0.093
Tax base increase	1.0%	0.788
Precept	1.0%	0.788
Pay awards officers (full year impact)	1.0%	0.959
Pay awards staff (full year impact)	1.0%	0.500
Non-pay inflation	1.0%	0.397

The Service and Financial Planning Process

5.7 Since 2010, in response to the challenging financial situation as set out in section 2, the Constabulary has been running a successful Change Programme which will have delivered £36m (to 31 March 2021) since its inception. A significant element of that programme has been delivered through collaboration with Suffolk Constabulary (see paragraph 7.4 – 7.7).

5.8 A joint (Norfolk and Suffolk) strategic financial planning process has been on-going over recent months in accordance with an agreed timetable. This process is underpinned using Outcome Based Budgeting (OBB) principles and is used in conjunction with the Force Management Statement (FMS) for Norfolk. The FMS is a strategic document that examines current and future demand, and potential future asset shortfalls, and the resultant potential risks for the services provided by Norfolk Constabulary.

5.9 OBB is a method for aligning budgets to demand, performance, outcomes and priorities. This approach analyses the spending of the entire Force. This information is then lined up against the priorities and demands of the FMS and Police and Crime Plan. This allows projects to be developed to target areas that can be made more efficient, as well as reviewing areas requiring more investment.

5.10 Chief Officers and their Heads of Department were set a savings target. During the summer they presented savings and investment proposals, and these were modelled against the impact on budgets and outcomes. These outcomes were then reviewed by a Joint Chief Officer Panel against the OBB principles / FMS priorities and decisions were made about limiting growth and increasing savings.

5.11 These outputs were then presented to the Chief Constables, and further refined after these sessions. Finally, the outcomes of the constabulary process were presented to the PCC. Following the outcome of Spending Review, and then the force settlement itself, the process concluded with agreement on Norfolk only budgets, the agreement of joint budgets, costs and savings arising from the process to be included in spending plans.

5.12 Given the ongoing economic uncertainty caused by the pandemic, alongside the drive for increasing productivity and efficiency it is clear that the Change Programme will need to be sustained over the medium-term so that efficiency gains can be driven out in a timely fashion to ensure budgets are balanced and reserves levels are protected.

5.13 The OPCCN has undertaken a fundamental review of its budgets, identifying 22% of non-pay savings against the 2020/21 non-pay budget of £0.227m to ensure that the overall budget for 2021/22 maintains at the forecast in the 2020/24 MTFP of £2.294m, excluding the planned drawdown from the commissioning reserve of £0.502m. The OPCCN core budget (excluding commissioning services and the PCC costs) is £1.155m for 2021/22. This is despite inflationary increases in supplies and services, and additional responsibilities through legislative change.

5.14 The OPCCN have also forecast year end efficiency savings in year of £0.120m which is 10.64% of the overall 2020/21 budget. The savings will be transferred at year end to the efficiency reserve; more details of which are below in the reserve strategy. Covid-19 has resulted in the office adopting new working practices, therefore reducing expenditure on traditional budgets that have not been required. This thread has been continued when reviewing the budgets for 2021/22.

5.15 With the rising demand for preventative services, funding bids submitted by the Commissioning team have increased the grant funding into the OPCCN as follows:-

Fund	**District**	**Funding 2020/21**
Home Office - Safer Streets Fund Round 1	Norwich City	£363,000
Home Office - Safer Streets Fund Round 2	Great Yarmouth	£78,837
MoJ Victims – Extraordinary Fund – Covid-19 Round 1	All	£250,000
MoJ Victims Extraordinary Fund– – Covid-19 Round 2	All	£102,503
Home Office - Sexual Violence Fund	All	£59,025
National Probation Service	Norwich	£17,500
Public Health - Project ADDER	All	£10,000
Public Health Project ADDER – WONDER+	All	£22,250
Modern Slavery Fund	All	£3,000
Home Office – Cumbria PCC	All	£127,755
TOTAL SECURED		**£1,033,870**

Service and Funding Pressures

A. Rising and Changing Demand for the Constabulary

5.17 This financial year has been one without precedent. The coronavirus pandemic has affected the Constabulary's demand in an extraordinary and at times significant fashion. Whilst lockdowns inhibited the customary calls for service such as road related calls and shoplifting, new legislation and the new situation in which the communities of Norfolk found themselves brought additional pressures, particularly in call handling. Whilst, as lockdowns ease, the specific Coronavirus-related demand will reduce once more, the emerging picture is that Norfolk has continued to see an increase in crimes being recorded of a serious nature.

5.18 Whilst Norfolk remains a very safe county the Constabulary is dealing with continuing increases in reports of domestic abuse, rape and serious sexual offences, adult and child abuse and allegations of cyber enabled fraud. These are some of the most complex and demanding investigations the service has to undertake and they require a highly skilled workforce. Norfolk, as with most Forces, has seen continued increases in serious sexual offences (5%)*, drugs supply offences (10%)* and domestic abuse crimes (33%)*. The number of serious violent crimes has increased again (18.2% increase in GBH and 10% increase in knife crime).

5.19 Norfolk's first year share of the National Uplift programme, an additional 67 police officers, has been allocated to focus on this increased demand. A team has been set up focused on serious and organised crime, particularly, but not exclusively to combat County Lines. Additional detectives have been brought in to combat online child abuse and safeguarding against criminal and sexual exploitation. However, due to the continued growth in demand, additional resources over and above uplift are required if we are to maintain service levels and meet the continued increase in demand and complexity.

5.20 Having completed every element pledged in the Norfolk 2020 policing model business case within uniform policing last year, this year has seen a major step in the 2020 pledges for the detective element of Local Policing. A brand-new police station has been completed in Swaffham which brings the detectives back together, providing first class facilities and allowing the innovative new role of Police Digital Investigator to work alongside detectives. The vast majority of investigations have an element of digital investigations, from mobile phones, to home technology, and working with this technical material requires a unique skillset.

5.21 Plans for the new Broadland Police station, the sister station to Swaffham, continue at a pace. Land has been purchased and planning permission obtained and the process is subject to further tests required from the PCC before approval for construction is granted. Should these tests be met the station is projected to be complete in late 2022. In a similar vein to the Swaffham station, this will see teams from across the county brought back together, alongside the specialist resources to be able to tackle the threat in the most efficient and effective way. The introduction of the new stations enables immediate savings to be made in terms of supervision costs, and will allow the wider estate to be rationalised, delivering significant savings over the medium to long term.

5.22 Impacted by the pandemic this year, demand has changed in the way it comes in to the police. 999 calls have dropped slightly compared to last year but remain far higher than two years ago (13,000 extra calls). The number of calls to 101 has reduced by 13% in the last year (down by 21,000 calls). Whilst the pandemic altered all demand significantly, this is also in part due to our improved website services which have seen a significant uptake of over 3,000 crime-related enquiries. The Department for Local Policing, which developed the Norfolk 2020 Policing Model, are now engaged in the demand management review with a particular focus on the Contact and Control Room and the management of volume crime.

B. Pensions

5.23 The Police Officer Pension Schemes are “unfunded”. This means they are not backed by assets such as shares or other investments in the way the staff Local Government Pension Scheme is, rather they are ‘pay as you go’ schemes.

5.24 In simple terms, current officers pay pension contributions, and these are collected and paid to retired officers as benefits. The amount collected from current officers is not enough to meet the requirement for retired officer benefits and this leaves a “gap”.

5.25 Until 2015/16 the Treasury fully funded this “gap” by funding employer contributions through the main police grant, and by providing an additional top-up grant. Therefore, there was no funding required from precept. Since 2015/16 the Treasury has passed an increasing element of this gap on to PCCs, by increasing employer contributions by 9.7% without providing any additional funding for this increase (equating to about £5.6m cost pressure for Norfolk).

5.26 To relieve an element of this pressure the Treasury provide a grant to Norfolk of £1.564m. This grant has been rolled over for the last 3 years, but has not been confirmed beyond the 2021/22 settlement. Prudently, the modelling for later years assumes that this grant is not maintained, as this will be revisited as part of the next Spending Review.

5.27 Further pressures connected to pensions, including the impact of item C below, are expected to impact on future MTFPs with additional costs from 2023/24 onwards. Negotiations will need to take place with the Home Office and Her Majesty’s Treasury to reduce the impact on local taxpayers. These pressures are not yet recognised in this MTFP but will be kept under review as more information is forthcoming.

C. McCloud and Sargeant Pension Judgement

5.28 A significant number of claims have been lodged against all constabularies in respect of alleged unlawful discrimination arising from the national Transitional Provisions in the Police Pension Regulations 2015 that impact on police officers. The McCloud and Sargeant judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes.

5.29 There was protection provided for older members under each scheme. The McCloud and Sargeant judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members. The government was refused leave to appeal the McCloud and Sargeant Judgements on 27 June 2019. This means that the various parties return to the respective employment tribunals to formulate a remedy which will resolve the age discrimination of the pension changes. Local government pension schemes (LGPS) are also being consulted on the impact of these judgements and this would impact on staff of the constabulary and OPCC.

5.30 Her Majesty's Treasury has consulted on the remedy and is expected to publish its consultation announcement in January 2021 (not published at the time of writing). It is unclear whether the Government or the PCC and Chief Constable will carry the financial burden for remedy although it is expected that it should be the government as they laid the Transitional Provisions. At this point no additional amounts have been recognised in the MTFP but are recognised as Contingent Liabilities in the Statement of Accounts published on the PCC and Constabulary websites.

5.31 However, additional internal costs are expected over the next few years in terms of additional administrative work required by constabulary staff, and in terms of additional costs from the pension administrators. These costs (£80k per annum) have been recognised in the MTFP.

D. Maintaining investment in modernising technology

5.32 To remain as efficient as possible, the Constabulary needs to continue to invest in and refresh technology that keeps the policing model fit-for-purpose and able to meet increasing demand and the changing nature of crime. This investment (outlined in the section below and Appendix E), initially charged to capital account, is significant and has ultimately to be funded from the revenue budget. As stated above, improving efficiency will be key to future positive Spending Review outcomes.

E. Rising and Changing Demand for the PCC

5.33 This has been one of the most difficult and challenging years of our time and the additional external funding income for the 2020/21 financial year has been highly successful. This has considerably reduced strain and impact on core Commissioning, MoJ, and Covid 19 Budgets and offset some of these costs. This income is due to the success in securing external funding through bid processes. To recap the OPCCN has secured an additional £1,033,870 of funding. The OPCCN will continue to seek appropriate funding for service users into 2021/22 in response to the pandemic.

5.34 The result of the first stage of the PCC review by Central Government has yet to be announced, at the time of writing this report, and the second stage of the review has not yet started. Further information will be provided to the Panel as and when it becomes available.

Capital Programme and Financing 2021/25

5.36 The capital programme is a key element of strategic and financial planning. As highlighted over the last few years, due to funding constraints, the impact of capital spending, particularly the investment in "short-life" assets, has a significant impact on the revenue budget.

5.37 The revenue impact for long-term estates assets is spread over the years through the Minimum Revenue Provision (MRP) mechanism. Norfolk has previously used internal cash to fund estates spending, delaying external borrowing and the consequent interest payments.

5.38 As flagged in the last three budget reports, as the estate continues to be modernised, external borrowing is now required and interest payments have started to be made. More details are in Appendix G.

5.39 It is not prudent to borrow for short-life assets. These should be funded from capital grant, capital receipts, reserves allocated to fund capital schemes, or revenue budget contributions. However, for significant spikes in short-life asset costs associated with significant national requirements (e.g. Emergency Services Network) the Minimum Revenue Provision mechanism has been assumed in order to smooth the impact on reserves over a longer period.

5.40 Since 2015/16 Home Office capital grant has reduced from over £1m to £0.1m. This means each year an additional £0.9m has had to be funded from reserves or the revenue budget.

5.41 In addition, the need to keep the force fit-for-purpose, using modern enabling technology and tackling more cyber related crime, has required increased investment in short-life assets. These assets (e.g. body worn video, mobile devices, and automatic number plate recognition (ANPR) to name but a few) then need replacing every 3 to 5 years. The capital programme therefore includes the routine refresh of the growing ICT / digital estate (personal computers and servers) as well as increasing investment in infrastructure e.g. in networks and servers to deal with the growth in requirements for investigating, transferring and storing large volumes of digital data.

5.42 There are also a number of key developments coming through national police ICT programmes (known as the National Enabling Programme). These include required investments in Microsoft Office 365 / Windows 10; National Law Enforcement Data Service; Home Office Biometrics and others.

5.43 A significant cost within the Capital Programme is the inclusion of the Emergency Services Network (ESN) rollout. This is the replacement for the ageing Airwave system (i.e. the push-to-talk radio communications for officers). The ESN programme is technically complex and nationally the programme has had a number of delays, and had been pushed further back into later years. However, the programme has now been brought forward and £5.5m of costs is profiled over the life of the MTFP.

5.44 Funding constraints described earlier in the report have meant there has been an increased reliance on reserves to fund short-life assets over the last few years. To continue to fund the replacement programme over the medium-term and beyond, and to protect reserve levels, additional revenue budget is required to be dedicated to the funding of short-life assets. This issue is expanded further in the review of adequacy of reserves later in this report (see page 26) as well as the Capital and Reserves Strategies (see Appendices D and F).

5.45 The hosting of ICT services in the "cloud" continues to be explored and developed within policing and some of the new systems will require it. At the point where services are provided from the "cloud" there will be additional revenue costs but there should be accompanying savings as the hardware (servers etc.) required in-force would be reduced. Developments in this area will continue to be monitored and incorporated into future plans.

5.46 The proposed capital programme has been updated to 2024/25 and is set out in detail at Appendix E. The revenue consequences of the proposed capital programme have been fully taken into account in preparing the MTFP.

5.47 The table below summarises the Capital Programme 2021/25.

	2021/22	**2022/23**	**2023/24**	**2024/25**
	£000	**£000**	**£000**	**£000**
Estates schemes	10,292	5,534	1,700	1,500
ICT (Norfolk only)	516	1,206	3,184	3,172
Norfolk share of Joint ICT Schemes & Projects	3,715	2,393	3,081	1,946
Vehicles and Equipment	1,302	768	943	787
Total	**15,825**	**9,901**	**8,908**	**7,405**

Note: The 2021/22 total includes £11.4m estimated as requiring carry forward from 2020/21.

5.48 The Capital Programme for 2021/22 is arranged in 2 tables:-

Table A Schemes or technical refresh programmes approved for immediate start in 2021/22.

Table B Schemes requiring a business case or further report to the CC(s)/PCC(s) for approval.

5.49 Key aspects of the programme are outlined below:

- Capital costs for ICT include an improved programme of equipment replacement and updating of the technology infrastructure.
- Projects to help modernise the Force are set out in the capital programme including continuing to invest in efficiency enabling technology, both hardware and software, as the Constabulary embraces the rapid advance of digital solutions including the need to move and store significant amounts of data.
- Building schemes include the one-off costs incurred in relation to the disposal of estate infrastructure that is either too large or not fit for purpose, and replacement with buildings that better meet operational needs and service requirements and cost less to maintain.
- Capital costs for fleet are for replacement vehicles and the equipment used to service them.

Capital Financing

5.50 The following financing sources have been identified for the outline capital programme.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Grant	243	100	100	100
Capital Receipts	2,035	460	1,085	4,045
Revenue	3,918	2,900	2,900	2,900
Use of / (Contribution to) Reserves	287	1,397	780	(3,426)
Internal Borrowing – ESN	100	760	2,343	2,286
Internal/External Borrowing	9,242	4,284	1,700	1,500
Total	**15,825**	**9,901**	**8,908**	**7,405**

6. The Precept Option 2021/22

6.1 The table below summarises the budget and forecast for the option on which the PCC consulted. Full details are in Appendix B.

5.68% (£14.94) Council Tax increase	Budget 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
	£000	£000	£000	£000
Total Funding (Grant + Precept)	(183,056)	(183,187)	(183,187)	(183,545)
Net Revenue Budget before changes and savings	176,186	180,154	183,855	187,628
REVENUE SURPLUS BEFORE KNOWN CHANGES	**(6,870)**	**(3,033)**	**667**	**4,083**
Known / Expected Changes	12,617	11,716	10,973	7,319
Planned use of reserves	(1,739)	(2,422)	(1,711)	1,846
REVENUE DEFICIT BEFORE SAVINGS	**4,009**	**6,261**	**9,930**	**13,248**
Planned Savings	(4,010)	(4,177)	(4,232)	(4,287)
Savings to be identified	0	(2,084)	(5,698)	(8,961)
REVENUE DEFICIT/(SURPLUS) AFTER SAVINGS	**0**	**0**	**0**	**0**

6.2 A precept increase, equal to 22 pence per week for a Band B property or 29 pence per week at Band D, will allow the constabulary to keep their current levels of service in the face of the increasing demands outlined in section 5 and also tackle the new challenges that we are facing.

6.3 In addition, the Constabulary and OPCCN will establish a team dedicated to dealing with the most dangerous domestic abusers across the county, initially for a period of 2 years. Additional frontline policing resource will increase visibility and target those offenders who cause the most harm to our communities. There will also be further investment in staff with the expertise to tackle the growing volume of offences with a digital footprint such as fraud.

6.4 More financial information is shown in Appendix B (ii).

6.5 Even allowing for the 5.68% precept funding in 2021/22, significant savings requirements are forecast from 2022/23 onwards and will be subject to the development of the government's comprehensive spending review (hopefully for a 3 year period), the equally important development of a precepting strategy under the new PCC following the elections in 2021, and the ongoing change programme and strategic financial planning process.

6.6 Based on the information contained in this report, the PCC proposes to raise the policing part of local council tax by 5.68% (22 pence per week at Band B/ 29 pence at Band D) in order to help maintain current levels of service and enable your police service to tackle the new challenges they are facing.

7. Statutory Assurances and Strategies

Robustness of the Budget

7.1 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.

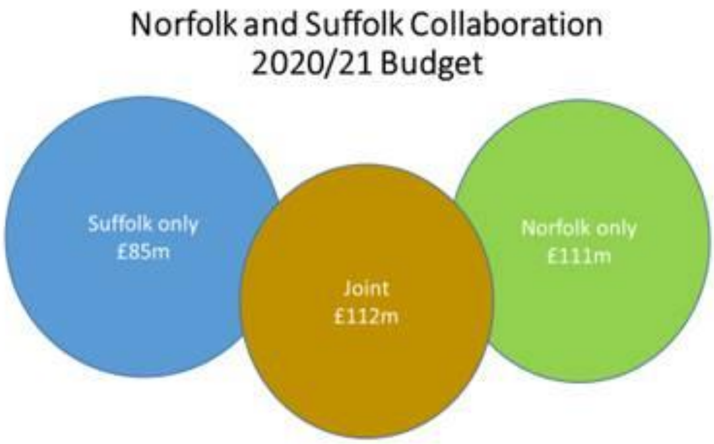
7.2 The comprehensive Service and Financial Planning process has resulted in the development of the various savings proposals and programmes. This has involved Chief Officers, Finance and the Programme Management Office (PMO) from both Norfolk and Suffolk Constabularies, maintaining financial clarity and consistency in financial plans.

7.3 Whilst there are always risks to delivering savings, controls will be maintained to ensure that the budgeted levels of savings are achieved as a minimum. Identified savings will be removed from budgets prior to allocation at the start of the financial year. The progress of delivering the savings is monitored through the Strategic Planning and Monitoring Board that is chaired by the Deputy Chief Constables from Norfolk and Suffolk, and includes the Assistant Chief Officers from both forces (the Chief Constables Chief Finance Officers). Progress is reported monthly through the budget monitoring reports to the PCC and PCC Chief Finance Officer.

Collaboration and the Change Programme

7.4 Norfolk and Suffolk Constabularies have been collaborating for a decade. In the period to 2020/21, a large number of business cases have been implemented and total savings of £41.4m (£20.2m Suffolk and £21.2m Norfolk) have been found from collaboration.

7.5 The "joint" services budget is now over 1/3rd of the combined budget of both forces and stands at over £110m.



7.6 As part of the Service and Financial Planning process for 2021/22 to 2024/25, savings have been identified from the collaborative units (Norfolk's share is £3.4m rising to £3.6m by 2024/25). These have been assessed in terms of risks and impact on outcomes using the OBB model that assesses risk.

7.7 The forecast phasing for realising the savings is set out in Appendix B (iii).

Bluelight Collaboration

7.8 Norfolk Constabulary and Norfolk Fire and Rescue Service continue to strengthen their working relationship and the Fire Control Room has moved in alongside the Police Control Room and a number of other collaborative working arrangements, such as sharing of estate have been established with others themes of activity being actively worked on.

Regional Collaboration

7.9 The PCCs and Chief Constables (CC) for the 6 police areas in the East of England together with the CC and PCC for Kent have developed a 'Seven Force Strategic Collaboration Programme'. The costs of the work are being shared by the 7 Forces. Many streams of work are being pursued and work is focussing on getting the 7 Forces to 'converge' their processes.

7.10 A business case was developed and approved by PCCs and CCs to bring together a regional 7 Force Commercial Procurement Team. The regional team has been implemented and went "live" on 6th January 2020. This team will ensure that where possible, all 7 forces go out to tender at the same time for the same goods and services for significant areas of spend and will also continue to oversee the development of the 7 Force commercial contractual "pipeline". The team is overseen by the Strategic Procurement Governance Board, chaired by one of the PCCs and has the membership of all PCC and Chief Constable CFOs.

7.11 Other 7 Force opportunities are being explored including the opportunities for wider collaboration on Shared Services more generally, as well as specific workstreams on functions such as Vetting, and the implementation of systems across a 7 Force model, for example on digital asset management, skills, and forensics.

7.12 Norfolk is also part of a well-established 10 force consortium for insurance known as the South East and Eastern Regional Police Insurance Consortium (SEERPIC), now in its 20th year of existence. All insurance contracts for the 10 forces are procured through this consortium.

Risk and Efficiency

7.13 Risk management is a key consideration for the PCC and the Chief Constable. There is an overall risk management strategy for each corporation sole. Risk management is embedded and is an integral part of the decision-making process in both organisations. Local operational risk registers are in use throughout the Constabulary and the Office of the PCC (OPCC) and significant risks are reported to the executive levels through the relevant Strategic Risk register.

7.14 The Chief Constable's Strategic Risk register is updated on an ongoing basis and presented regularly for review to the Command Team. A dedicated risk manager is in place to support the process. The OPCC also maintains a Strategic Risk Register and is discussed at its senior leadership team meetings. The whole risk management process is monitored by the Joint Audit Committee.

7.15 The main risks that may impact upon the delivery of the MTFP and Capital Programme are:

- Reductions in funding either through austerity in terms of government funding, or reductions in taxbase and / or collection fund deficits
- Exceptional demands placed upon the services, particularly in relation to hidden harms, major incidents and support for victims
- Requirements of new legislation or government directives including the PCC review by Government
- Achieving the required outcomes from collaboration with other Forces
- Ensuring robust accountability and governance
- Delivering the planned level of savings through robust business cases
- Maintaining an acceptable level of performance and increasing productivity, efficiency and effectiveness with the risk of diminishing funds
- The impact of the capital programme on the revenue budget.

7.16 To manage these risks it is essential that there is a robust monitoring procedure, and action is taken to offset the risks with continuous review processes. This process is undertaken in the Constabulary through the Strategic Planning and Monitoring Board and the Organisational Board both chaired by the Deputy Chief Constables (and with the Chief Constables Chief Finance Officers in attendance), and then reviewed by the Joint Chief Officer Team including the Chief Constables.

7.17 The Chief Constable is then held to account by the PCC at the Police Accountability Forum.

Efficiency

7.18 Implicit throughout all financial planning is the need to deliver efficiency and drive out savings. Business cases should, where relevant, identify the Return on Investment. As detailed above, the Constabulary (and policing nationally) will need to evidence its efficiency and effectiveness to achieve positive Spending Review outcomes. The external auditor has issued an unqualified value for money (VFM) opinion and the Audit Committee does consider Her Majesty's Inspectorate of Constabulary and the Fire Service (HMICFRS) VFM profiles. The constabulary has been consistently rated as "Outstanding" in terms of efficiency by the HMICFRS. A new assessment will be undertaken by HMICFRS later in 2021 calendar year.

Annual Treasury Management Strategy 2021/22

7.19 Government regulations require the PCC to approve the investment and borrowing strategies and borrowing limits for 2021/22 prior to the start of the financial year. This is incorporated within an over-arching Treasury Management Strategy, which is attached at Appendix G.

Compliance with the Prudential Code

7.20 The level of borrowing for the Capital Programme needs to be based on capital investment plans that are affordable, prudent and sustainable and there is a requirement to publish a Capital Strategy. This is included as Appendix D.

7.21 Treasury management decisions need to be taken in accordance with best professional practice outlined in a Prudential Code published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

7.22 To demonstrate that the objectives of affordability, prudence and sustainability have been achieved, the Prudential Code requires Indicators to be determined by the PCC. These are designed to support and record local decision making and for comparison over time. They are not designed to be comparative performance indicators. Details of the proposed indicators for 2021/22 are provided in Annex 1 to Appendix G. Progress against the indicators will be monitored throughout the year.

Minimum Revenue Provision (MRP)

7.23 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 place a duty on authorities (including PCCs) to make an amount of Minimum Revenue Provision (MRP) each year that is considered to be prudent. The regulations are supported by statutory guidance to which authorities are required to have regard.

7.24 MRP is only used where funding of the asset does not use revenue contributions, capital grants or receipts from asset sales. MRP is charged annually against the Revenue Account reflecting the cost of the asset over its life, with the MTFP including the required provision. The MRP Statement is set out in Annex 2 to Appendix G.

Adequacy of Reserves

7.25 The Home Office introduced regulations which require PCCs to be completely transparent on the reserves they hold and how they will be used over time. Details of contributions from reserves to fund revenue spending are included in Appendix B (ii) and the projected levels of reserves are detailed in Appendix F Annex 1.

7.26 This budget report provides information on all the reserves held and how they will be used. General and earmarked reserves play a vital role in the financial management and financial standing of the PCC. The current policy of the PCC is to maintain the general reserve between 2.5% - 3% of net revenue budget and total reserves at 6% net budget as a minimum. Norfolk’s total reserves are forecast to reduce from £16.8m (9.6% of budget) as at 31/3/21 to around £12.8m (6.98% of budget) by 31/3/25.

7.27 Through continued sound financial management the PCC has set aside earmarked reserves to meet future spending needs. This includes the inclusion of an efficiency reserve created with the in-year savings in the OPCCN. This is for the new PCC to use to offset any future financial challenges for the work of the OPCCN. More details are set out in the Reserve Strategy in Appendix F.

7.28 The PCC CFO, in consultation with the CC CFO, has considered the proposed level of reserves and believes that they are adequate for the purposes for which they are intended.

Precept Consultation

7.29 The 2021/22 police budget and council tax consultation took the form of a survey - available both online and in hard copy – with people also having the opportunity to submit their views by email or letter.

7.30 In total, there were 987 valid responses to the consultation and feedback through social media. There were no hard copies of the survey returned during the consultation period. The results of the police budget and tax 2021/22 consultation show that of the 987 respondents to the survey, a total of 355 respondents strongly agreed with the proposal to raise the precept by 5.68%. A total of 186 respondents agreed with the proposal. This equates to 54.81% in overall support of a precept increase in contrast to 39.51% of the total respondents who did not support a precept increase. 5.67% of respondents said they neither agree or disagree with the proposal.

7.31 For more detail on the consultation and the recurring comments that arose from the survey please refer to Appendix I.

Chief Finance Officer's Section 25 Assurances

7.32 Section 25 of Part 2 of the Local Government Act 2003, as amended by the Police Reform and Social Responsibility Act 2011, places responsibility on the PCC Chief Finance Officer (CFO) to report on the robustness of the budget estimates the adequacy of balances and reserves and issues of risk.

7.33 The PCC CFO confirms that all the required statutory assurances can be made.

8. Conclusion

8.1 Based on the information contained in this report, and having consulted with the Chief Constable, and the people of Norfolk, the PCC proposes to raise the policing part of local council tax by 5.68% in order to help maintain current levels of service and enable your police service to tackle the new challenges they are facing.

Police Grant 2021/22

1. The changes in Government funding for 2021/22 are set out in the table below:

	2020/21	2021/22	Variance	
	£000	**£000**	**£000**	**%**
Police Core Grant	85,476	90,864	5,388	6.3%
Ringfenced Grant (Op Uplift)	1,879	1,119	(760)	-40.4%
Legacy Council Tax Grants	9,305	9,305	0	0%
Total all Grants	**96,660**	**101,288**	**4,628**	**4.8%**

2. The Legacy Council Tax grants are based on two historic elements. The first element is in respect of a former Council Tax Freeze Grant of £1.4m relating to the decision of the former Police Authority to freeze the Council Tax in 2011/12. The second element relates to the Council Tax Support Grant of £7.9m that has been payable since April 2013 when the Government made significant changes to Council Tax Benefit arrangements.

3. The Home Office has “re-allocated” (top sliced) £1,033m in total from the national grant pot. This funding is used to centrally fund organisations such as the new BlueLight Commercial organisation (with the aim to achieve national procurement savings across policing), invest into Police Technology Programmes, implement the Serious Organised Crime strategy, and fund a number of other Home Office initiatives.

Appendix B (i)

Budget and Medium Term Financial Plan 2021/25

Increase Council Tax by 5.68% per annum (£14.94)

MEDIUM TERM FINANCIAL PLAN - 4 YEAR OVERVIEW - NORFOLK - Max £15 (5.68%) Precept in 21/22 only					
		Budget	Forecast	Forecast	Forecast
	Line	2021/22	2022/23	2023/24	2024/25
		£000	£000	£000	£000
REVENUE FUNDING					
Home Office Grant	1	(90,864)	(90,864)	(90,864)	(90,864)
Legacy Council Tax Grants	2	(9,305)	(9,305)	(9,305)	(9,305)
Precept Income	3	(82,888)	(83,019)	(83,019)	(83,377)
TOTAL FUNDING	4	**(183,056)**	**(183,187)**	**(183,187)**	**(183,545)**
BASE REVENUE BUDGET INCLUDING INFLATION:					
Total Revenue Expenditure before savings	5	194,414	196,936	200,771	204,682
Revenue Funding of Capital Expenditure	6	2,900	2,900	2,900	2,900
Total Revenue Income inc Specific Grants	7	(21,128)	(19,682)	(19,816)	(19,954)
NET REVENUE BUDGET BEFORE KNOWN CHANGES AND SAVINGS	8	**176,186**	**180,154**	**183,855**	**187,628**
DEFICIT / (SURPLUS) BEFORE KNOWN CHANGES	9	**(6,870)**	**(3,033)**	**667**	**4,083**
Known / Expected Changes	10	12,617	11,716	10,973	7,319
Planned use of reserves	11	(1,739)	(2,422)	(1,711)	1,846
REVENUE DEFICIT BEFORE SAVINGS	12	**4,009**	**6,261**	**9,930**	**13,248**
Change Programme Savings	13	(4,010)	(4,177)	(4,232)	(4,287)
Surplus / (Savings to be identified)	14	0	(2,084)	(5,698)	(8,961)
Total Cumulative Permanent Savings	15	**(4,009)**	**(6,261)**	**(9,930)**	**(13,248)**
REVENUE DEFICIT/(SURPLUS) AFTER SAVINGS	16	**0**	**0**	**0**	**0**

Analysis of Known/Expected Changes

Appendix B(ii)

PLANNED REVENUE CHANGES 2021/2025 - NORFOLK	Line	Budget 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
STATUTORY CHANGES					
Rent and Housing Allowance Reductions	1	(100)	(200)	(200)	(200)
Variation in Bank Holiday Numbers (9 in 2020/21 then 11, 9, 9, 7)	2	332			(332)
LGPS changes	3	16	56	56	56
Firearms Licensing Income	4	18	61	168	155
TOTAL STATUTORY CHANGES	5	**266**	**(83)**	**24**	**(321)**
INVESTMENT (Precept and Grant Funded)					
Uplift Investment:					
Officer uplift of 67 FTE (full year impact from 20/21 recruitment target)	6	838	859	880	902
Officer uplift of 66 FTE (impact of 21/22 recruitment target)	7	2,678	2,970	2,970	2,970
Uplift Investment (Supporting staff roles, kit, equipment & estates costs)	8	1,930	1,638	1,638	1,638
Precept Investment:					
Maintain current service levels against rising demand and complexity	9	2120	1060	970	970
Establish a team to deal with most dangerous domestic abusers	10	370	370		
Frontline Policing	11	230	230	230	230
TOTAL INVESTMENT	12	**8,166**	**7,127**	**6,688**	**6,710**
SERVICE DEVELOPMENTS					
National:					
Home Office System Charges	13	111	111	111	111
National Police Air Service (NPAS)	14	25	25	25	25
McCloud resourcing	15	80	80	80	80
Microsoft Enterprise Agreement	27	113	202	356	356
Contractual Risk in respect of Airwave	16	284	284	284	284
Total National	17	**613**	**702**	**856**	**856**
Regional:					
7 Force Collaboration Contribution	18	175	179	183	189
ERSOU	19	100	100	100	100
Vetting CMS & Lead	20	29	22	22	22
Digital Asset Management System	21		116	179	260
Forensic Case Management System	22		63	37	37
Total Regional	23	**304**	**480**	**521**	**608**
Local:					
PEQF - DHEP training costs	24	115	331	216	216
PEQF - Co-investment	25				65
PEQF - L&D Resource	26	120	120	120	120
Chorus Licences	28	54	54	54	54
Data Comms SPOC - shift pattern change	29		37	37	37
Challenge Panel Process Review - Cost Pressures	30	1,110	1,001	885	885
Cost of Change	31	325	321	317	311
Commissioning Plan	32	502	342	94	12
Total Local	33	**2,226**	**2,206**	**1,722**	**1,700**
TOTAL SERVICE DEVELOPMENTS	34	**3,143**	**3,388**	**3,100**	**3,164**
CAPITAL FINANCING					
Capital Programme Funding - Reserves	35	287	1,397	780	(3,426)
Capital Programme Funding - Revenue Contribution	36	1,018			
Minimum Revenue Provision	37		5	198	213
Minimum Revenue Provision - funded by reserves	38		33	287	1,068
Interest	39	(263)	(152)	(104)	(89)
TOTAL CAPITAL FINANCING	40	**1,042**	**1,283**	**1,161**	**(2,234)**
Total Changes Before Reserve Movement Adjustments	41	**12,617**	**11,716**	**10,973**	**7,319**
CONTRIBUTION TO RESERVES					
Loan Repayment Reserve					
Capital Financing and Efficiency Improvement Reserve	42	250			
Invest to Save Reserve	43			50	
General Reserve	44			50	
CONTRIBUTION FROM RESERVES					
7 Force Collaboration Contribution	45	(175)	(179)	(183)	(189)
Cost of Change	46	(325)	(321)	(317)	(311)
Capital Programme Funding	47	(287)	(1,397)	(780)	3,426
ESN Funding	48		(33)	(287)	(1,068)
Council Tax Deficit Funding	49	(700)	(150)	(150)	0
Financing Commissioning Plan	50	(502)	(342)	(94)	(12)
NET RESERVE MOVEMENTS	51	**(1,739)**	**(2,422)**	**(1,711)**	**1,846**
Total Known / Expected Changes (net of reserve movements)	52	**10,879**	**9,294**	**9,262**	**9,165**

Analysis of Savings

SAVINGS PLAN 2021/2025 - NORFOLK		Line	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000
Change and Efficiency Savings:						
	As per challenge panels:					
	Pay (including inflation)	1	2,070	2,135	2,188	2,243
	Non-Pay	2	1,290	1,392	1,393	1,394
	Corporate Savings	3	650	650	650	650
Total Change and Efficiency Savings		4	**4,010**	**4,177**	**4,232**	**4,287**
TOTAL PERMANENT SAVINGS AGAINST 2018/19 BASE		5	**4,010**	**4,177**	**4,232**	**4,287**

Appendix C

High Level Analysis of the Net Budget

Increase Council Tax by 5.68% per annum (£14.94)

5.68% £14.94 increase								
Year	**PCC**	**OPCCN**	**PCC's Commissioning ***	**Chief Constable**	**Capital Financing**	**Specific Home Office Grants**	**Use of Reserves**	**Net Budget**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
2020/21	99	1,110	1,589	182,034	7,286	(14,187)	(3,249)	**174,682**
2021/22	95	1,155	1,546	191,583	3,942	(13,527)	(1,739)	**183,056**
2022/23	95	1,169	1,386	190,841	4,183	(12,065)	(2,422)	**183,187**
				above includes savings to be found:		*£2,084*		
2023/24	95	1,177	1,138	190,597	4,061	(12,169)	(1,711)	**183,187**
				above includes savings to be found:		*£5,698*		
2024/25	95	1,185	1,056	190,974	666	(12,277)	1,846	**183,545**
				above includes savings to be found:		*£8,961*		
			* includes draw down from commissioning reserve					

Appendix D

Police and Crime Commissioner for Norfolk
Capital Strategy

1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy (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.

1.2 The Capital Strategy is a key document for the Police and Crime Commissioner (PCC) for Norfolk and the Chief Constable of Norfolk and throughout this document the term Norfolk is used to refer to the activities of both the PCC and the Constabulary.

1.3 The capital strategy sets out the long-term context in which capital expenditure and investment decisions are made in Norfolk and gives due consideration to both risk and reward and the impact on the achievement of priority outcomes.

2. Objectives

2.1 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 Norfolk corporate, financial and asset management strategies, matching their visions, values and priorities.
- Set out how Norfolk 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.

3. Governance

3.1 There is a robust joint governance model that sits over the Norfolk only, Suffolk only and collaborated departments. Please refer to Annex 1.

3.2 Project boards are initiated for all appropriate projects and are run on Prince 2 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 Norfolk and Suffolk (DCCs) and attended by each Head of Department.

3.3 Sitting above this is the Strategic Planning and Monitoring meeting, again chaired by the DCCs but with a smaller membership (DCCs, Assistant Chief Officers (ACOs – Chief Constable Section 151 officers) of Norfolk and Suffolk, Head of Finance, Head of Strategic Business Operational Services, Director of ICT, Senior HR Manager). 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 Medium-Term Financial Plan (MTFP) are met.

3.4 Final Business Cases and reports as appropriate are then taken to the Joint Chief Officer Team (JCOT) meeting that consists of all Chief Officers from Norfolk and Suffolk, as well as the Director of ICT and Head of Strategic Business Operational Services.

4. Strategies and Plans

4.1 Normally, the PCC produces his Police and Crime Plan every four years. The current version covers the period 2016 to 2021 (the PCC term was extended one additional year due to the Covid 19 pandemic). A new Police and Crime Plan will be produced post the 2021 election, at which point a new PCC will be elected, as the current incumbent is not standing again. The tenure of the new PCC will be three years again due to the impact of the Covid 19 pandemic.

4.2 To support the current plan and the future plan a number of interrelated strategies and plans are in place, such as the Medium-Term Financial Plan (MTFP), which includes the medium-term Capital Programme, Capital Strategy, Reserve Strategy and the Treasury Management Strategy.

4.3 The operation of all these strategies and plans is underpinned by the Scheme of Governance which includes the Financial Regulations & Contract Standing Orders.

4.4 In addition there are three key strategies that support the capital strategy.

- The current Estates Strategy runs from 2016–2020 and sets out the PCC vision for the Norfolk Estate. The strategy has been reviewed during 2020 and will be published in early 2021. The current and future 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.

- There is an Interim Joint Transport Strategy for Norfolk and Suffolk that covers the period 2020/21. It is only an interim strategy as there have been delays in establishing the new national procurement framework for vehicles, that should be in place in April 2021 and the new medium-term strategy will be published shortly after that point. Vehicle replacement and procurement forms part of the current and future strategies and 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.

- There is also a current Joint ICT Strategy for 2017-2020 for Norfolk and Suffolk 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. This too has been revised and will be published early in 2021. The strategy seeks to enable modern working practices and technologies to help shape future service provision, from a modern and efficient technology base.

5. Capital Budget Setting including evaluation and prioritisation

5.1 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 this.

5.2 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 Deputy Chief Constables (DCCs) of Norfolk and Suffolk, Assistant Chief Officers (ACOs – Chief Constable Section 151 officers) from Norfolk and Suffolk, Head of Joint Finance and the Head of Joint Strategic Business Operational Services.

5.3 Heads of all other departments put forward smaller capital bids in their submission documents and these are also assessed by a Challenge Panel with the same membership as above.

5.4 Following the panel processes as described above there is a further review and prioritisation meeting of the DCCs and ACOs before a draft capital programme, along with the relevant agreed funding, is presented to the Chief Constables. Following this the Police and Crime Commissioners review, amend if necessary, and finally approve the programmes.

Identification and Prioritisation

5.5 The identification process is initiated through the Challenge Panel as described above and that runs from August to October each calendar year, as a result of which bids are made by department heads and a draft capital programme is produced.

5.6 The capital project proposals are prioritised with reference to a business case and considered against the following factors;

- Mandation / statutory requirements – unavoidable projects i.e. mandated, statutory or contractually obliged,
- Strategic alignment – alignment to the Police and Crime Plan, the Force Management Statement and the constabulary Strategic Assessment,
- 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, where this is appropriate to consider

- 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

- Mitigation – future cost avoidance

5.7 This draft programme is then challenged and prioritised by the Board before a final programme is put before Chief Officers and Police and Crime Commissioners for final sign off.

Evaluation

5.8 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.

5.9 The review is in effect 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

5.10 The Estates capital programme for Norfolk is a sovereign programme and is line with the current Norfolk 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 Norfolk premises is also Norfolk only spend.

5.11 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 Suffolk on the ratio of Net Revenue Budget (currently 57% Norfolk : 43% Suffolk).

Implementation and Monitoring

5.12 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 Police and Crime Commissioners. These reports give information about under or over-spends against the revenue and capital budgets, and take-into-account the revenue implications of capital spending.

5.13 Progress on capital schemes is reported on a quarterly basis through the Corporate Shared Services Senior Leadership team meetings (chaired by the ACOs, with membership of Director of ICT, Head of Estates, Head of Transport, Head of Finance, Head of Transactional Services and with representation from the 7 Force Procurement team).

5.14 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.

5.15 Detailed implementation work is assigned to key individuals and overseen by the specific Project Boards as per the governance model set out in Appendix A.

6. Capital Funding

6.1 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.

6.2 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.

6.3 Capital can be funded from a number of different sources, including:

6.4 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 a Useable Capital Receipts 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.

6.5 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. However, these grants are now significantly lower than in prior years, with the expectation that this will diminish to negligible levels by the end of the current (MTFP) as the government has looked to reduce direct capital funding. 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.

6.6 Reserves - Income surpluses that has been set aside from previous years and transferred to reserves can be used to fund capital expenditure. The Capital Financing and Efficiency Improvement Reserve is specifically used to ring fence funding for future capital expenditure.

6.7 As reserves have been consumed in recent years to pump prime efficiency initiatives and the funding of investment in short-life assets, the level of reserves now available to fund future capital expenditure has reduced, and other sources of funding are required going forward to sustain the short-life capital programme.

6.8 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.

6.9 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.

6.10 In order to maintain the level of investment required in short-life assets to ensure the most efficient service possible, this source of funding has been significantly increased over recent years, due to the reduction of availability of the other funding sources described above.

6.11 Minimum Revenue Provision (MRP) - Accumulated capital expenditure not funded using the above methods is called the Capital Financing Requirement (CFR). This balance is funded using 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 an annuity basis.

6.12 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 or significant implementation projects e.g for the Emergency Services Network (ESN) to smooth the hit on reserves over a longer period. As other funding sources potentially run out, it is possible that other 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.

6.13 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.

7. Capital Financing and Borrowing

Capital expenditure can be financed in the following ways:

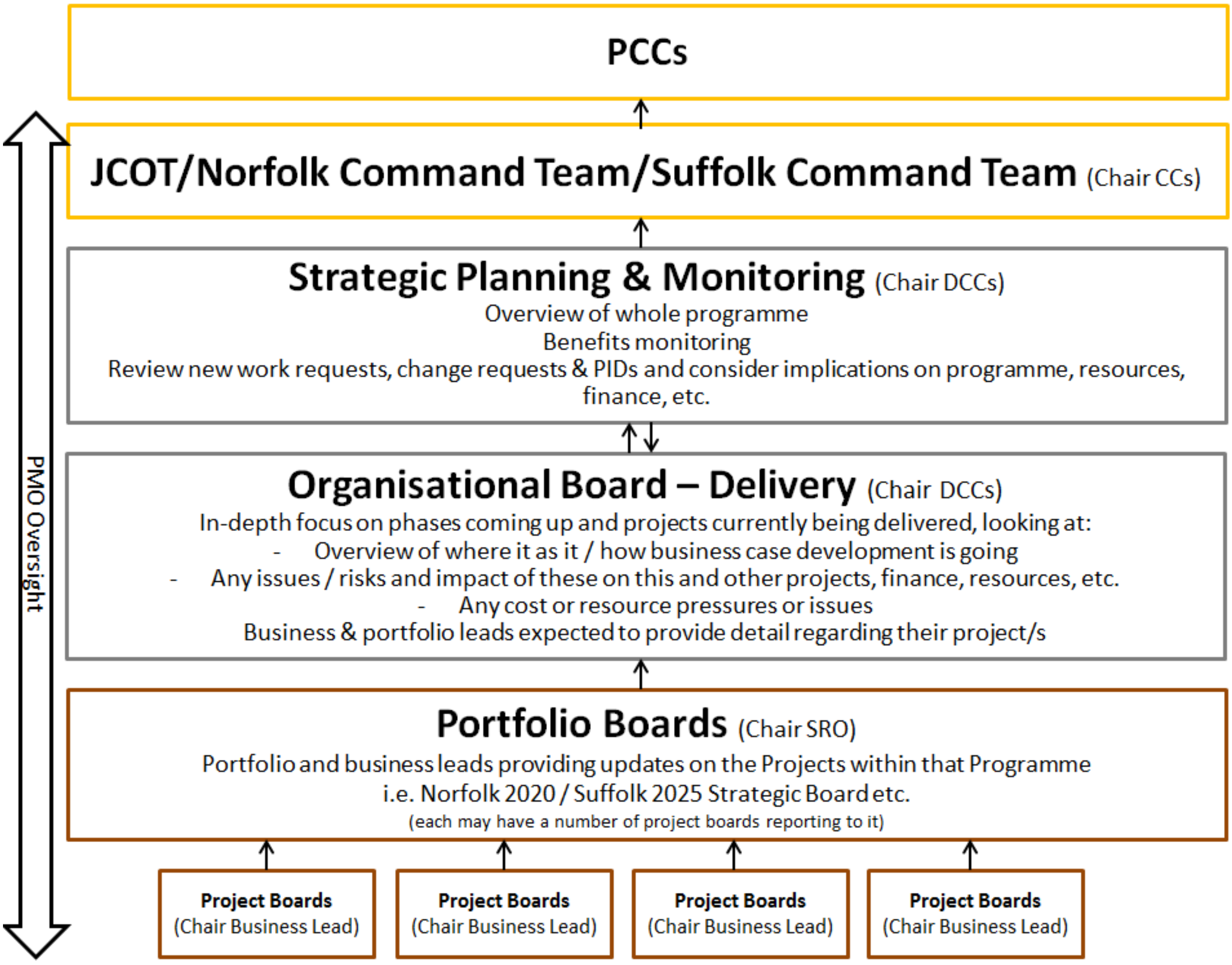
7.1 Capital grants received or capital receipts from asset sales generate cash balances and these are directly used to finance capital expenditure. Where in-year revenue funding of capital takes place, financing is made from in-year income sources.

7.2 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.

7.3 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 – Historically major infrastructure projects have been financed using PFI arrangements. Private finance is secured to finance the schemes which form part of a Public/Private Partnership. Norfolk PCC have used this method to finance the Operational Command Centre (OCC – HQ) at Wymondham and several Police Investigation Centres (PICs) across Norfolk and Suffolk.
- 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 thus 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 there borrowing is prudent, affordable and sustainable. Unfunded long-term assets are therefore primarily financed using this route. External borrowing is principally 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 expected to source significant new PWLB finance throughout the medium-term. At this point in time, however, the interest rates are very low, and the PCC can take short term advantage of these through access to the money markets, while setting a target rate at which the use of PWLB finance would be more prudent.

Governance model



Appendix E

Capital Programme 2021/25

CAPITAL - NORFOLK - 2020/21 - 2024/25								
PROJECT	2020-21 Outturn	Slippage assumed in 2020-21 monitoring	Additional Requirement in 2021-22	2021-22 Total Requirement		2022-23	2023-24	2024-25
				Table A	Table B			
Gateway 11 Car Parking	7,500		0					
Estates Strategy	0	773,694	726,306		1,500,000	3,000,000	1,700,000	1,500,000
Kings Lynn - Remodelling	7,091							
2020 East Hub - Broadland Gate	2,400,000	9,068,735	-2,068,735	7,000,000		2,068,735	0	0
2020 West Hub - Swaffham	2,616,999		0					
Holt Fire Service Collaboration	73,381		0					
Reepham Fire Service Collaboration	50,163		0					
Norfolk OCC Review	0	300,000	0		300,000	300,000		
Hethersett	1,406,788	325,000	1,166,912	1,491,912		165,088	0	0
Total Estates - Norfolk Only	**6,561,922**	**10,467,429**	**-175,517**	**8,491,912**	**1,800,000**	**5,533,823**	**1,700,000**	**1,500,000**
ICT Replacements - Desktop Services	855,000		283,900	283,900		313,950	759,000	804,200
ICT Replacements - Communications	92,000		82,000	82,000		82,000	82,000	82,000
ANPR Vehicle Kit Refresh	50,000		50,000	50,000		50,000	0	0
Thin Client Replacement	86,000		0					
ICT - Additional 2020 Requirements	948,210		0					
ESN (Emergency Services Network)			100,000		100,000	760,490	2,342,695	2,285,657
Total ICT - Norfolk Only	**2,031,210**	**0**	**515,900**	**415,900**	**100,000**	**1,206,440**	**3,183,695**	**3,171,857**
Vehicle Replacement Programme	970,367		1,020,000	1,020,000		768,000	943,000	787,000
Moonshot Vehicles and Camera Equipment			282,000	282,000				
Athena	57,441		0					
Total Equipment and Vehicle Replacements - Norfolk Only	**1,027,808**	**0**	**1,302,000**	**1,302,000**	**0**	**768,000**	**943,000**	**787,000**
Total Norfolk Only	**9,620,940**	**10,467,429**	**1,642,383**	**10,209,812**	**1,900,000**	**7,508,263**	**5,826,695**	**5,458,857**
Norfolk Share of Replacement Schemes	1,141,294	-	1,400,518	1,400,518	-	1,464,900	1,789,194	1,520,708
Norfolk Capital Programme	10,762,234	10,467,429	3,042,901	11,610,330	1,900,000	8,973,163	7,615,889	6,979,565
Norfolk Share of Joint Projects	2,957,379	883,952	1,430,608	640,059	1,674,500	928,366	1,291,683	425,432
Total Norfolk Capital Programme	**13,719,614**	**11,351,381**	**4,473,509**	**12,250,389**	**3,574,500**	**9,901,530**	**8,907,571**	**7,404,997**
					15,824,889			

Capital Financing is shown in the Tables at paragraph 5.50

Appendix E

Capital Programme 2021/25 (Contd.)

PROJECT	2020-21 Outturn	Slippage assumed in 2020/21 monitoring	Additional Requirement in 2021/22	2021-22 Total Requirement		2022-23	2023-24	2024-25
Joint ICT Replacement Schemes:				**Table A**	**Table B**			
ICT Tech Refresh:								
Joint ICT Replacements - Servers	963,412	0	982,000	982,000	0	621,700	777,000	683,000
ICT Replacements - Network	704,409	0	950,000	950,000	0	1,068,950	647,189	392,303
Microwave Refresh	40,000	0	40,700	40,700	0	36,400	26,000	29,000
Tablet replacement	0	0	0	0	0	540,000	540,000	0
ICT Tech refresh total	**1,707,821**	**0**	**1,972,700**	**1,972,700**	**0**	**2,267,050**	**1,990,189**	**1,104,303**
	0	**0**	0	0	0	0	0	0
Mobile Telephony:	**£0**	**£0**	0	0	0	0	0	0
Mobile Telephony - Recruitment Support	0	0	0	0	0	0	0	0
Mobile Device Replacement Programme	217,000	0	293,000	293,000	0	112,000	959,800	1,373,000
Total Mobile Telephony	**217,000**	**0**	**293,000**	**293,000**	**0**	**112,000**	**959,800**	**1,373,000**
Body Worn Video:								
BWV Replacement	84,500	0	200,000	200,000	0	200,000	200,000	200,000
BWV Device Refresh	0	0	0	0	0	0	0	0
Total Body Worn Video	**84,500**	**0**	**200,000**	**200,000**	**0**	**200,000**	**200,000**	**200,000**
ICT Replacement Schemes	**2,009,321**	**0**	**2,465,700**	**2,465,700**	**0**	**2,579,050**	**3,149,989**	**2,677,303**
Norfolk	**1,141,294**	**0**	**1,400,518**	**1,400,518**	**0**	**1,464,900**	**1,789,194**	**1,520,708**
Suffolk	**868,027**	**0**	**1,065,182**	**1,065,182**	**0**	**1,114,150**	**1,360,795**	**1,156,595**
Joint Projects Subject to Business Case:								
Video Conferencing	**5,609**	**128,780**	**0**	**28,780**	**100,000**	**0**	**0**	**0**
HTCU:								
Joint HTCU data centre	313,365	0	279,214	0	279,214	526,448	1,035,089	0
Total HTCU	**313,365**	**0**	**279,214**	**0**	**279,214**	**526,448**	**1,035,089**	**0**
ANPR Cameras	**90,000**	**0**	**115,000**	**115,000**	**0**	**120,000**	**160,000**	**160,000**
Digital Portfolio								
Live Link Project	21,109	0	0	0	0	0	0	0
Digital Strategy - Frontline Mobile Devices	92,898	0	0	0	0	0	0	0
Digital Recording/Streaming	236,808	0	0	0	0	0	0	0
Body Worn Video	63,301	0	0	0	0	0	0	0
Mobile Workflow (OPTIK)	283,968	200,000	0	0	200,000	200,000	200,000	0
Digital Public Contact	0	184,248	15,752	0	200,000	0	0	0
ICT Modernisation Programme	0	0	500,000	0	500,000	500,000	500,000	500,000
National Enablers Programme (NEP)	48,000	0	0	0	0	0	0	0
Single Online Home (SOH)	0	0	0	0	0	0	140,000	0
Website Upgrade Project	125,000	0	0	0	0	0	0	0
Next Generation Computing Trial	50,000	0	0	0	0	0	0	0
Total Digital Portfolio	**921,084**	**384,248**	**515,752**	**0**	**900,000**	**700,000**	**840,000**	**500,000**

Protective Services:								
Radio Frequency Capacity	0	237,000	0	0	237,000	0	0	0
SCIT Collision Scene Scanners	0	30,000	0	0	30,000	0	0	0
Taser Upgrade - X2s	605,600	0	741,860	741,860	0	0	0	0
ANPR in all RAPT Vehicles	115,000	0	0	0	0	0	0	0
Replacement of Speed Detection Devices	23,970	0	0	0	0	0	0	0
Laser Sights for Weapon Systems	50,000	0	0	0	0	0	0	0
Rifle Capability	20,000	0	0	0	0	0	0	0
Total Protective Services:	**814,570**	**267,000**	**741,860**	**741,860**	**267,000**	**0**	**0**	**0**
REGIONAL PROJECTS:								
DAMS (Digital Asset Management)	204,433	450,000	150,000	0	600,000	100,000	50,000	0
Forensic Case Management System	0	0	166,000	0	166,000	0	0	0
Total Regional Projects	**204,433**	**450,000**	**316,000**	**0**	**766,000**	**100,000**	**50,000**	**0**
ERP RELATED PROJECTS:								
ERP	800,000	0	0	0	0	0	0	0
DMS Upgrade	100,000	0	0	0	0	0	0	0
Skills Module ERP	0	100,000	0	0	100,000	0	0	0
E-Recruitment	0	0	135,850	0	135,850	0	0	0
E-PDR	0	0	100,000	0	100,000	0	0	0
Sailpoint ERP	80,000	0	80,000	80,000	0	88,000	89,000	89,000
Total ERP Related Projects:	**980,000**	**100,000**	**315,850**	**80,000**	**335,850**	**88,000**	**89,000**	**89,000**
Other Projects:								
Operational Equipment - Revenue funded	10,100	0	0	0	0	0	0	0
GIS Replacement	95,357	0	0	0	0	0	0	0
Windows 10	64,619	0	0	0	0	0	0	0
Occupational Health and Welfare system	30,000	0	0	0	0	0	0	0
Telematics	35,892	0	35,000	35,000	0	0	0	0
CCR Telephony	20,000	126,225	0	126,225	0	0	0	0
Genie Clearcore - Phase 3	31,287	70,000	0	0	70,000	0	0	0
Project Server	0	30,000	0	0	30,000	0	0	0
PSU Trainig Premises	0	0	100,000	0	100,000	0	0	0
Modern Workplace	0	0	100,000	0	100,000	100,000	0	0
CycFreedom Replacement (Info Man)	0	0	0	0	0	0	100,000	0
Total Other Projects	**287,255**	**226,225**	**235,000**	**161,225**	**300,000**	**100,000**	**100,000**	**0**
Total Joint Capital Programme	**7,215,975**	**1,556,253**	**4,984,376**	**3,592,565**	**2,948,064**	**4,213,498**	**5,424,078**	**3,426,303**
Joint Capital Projects - Norfolk	4,098,674	883,952	2,831,126	2,040,577	1,674,500	2,393,267	3,080,876	1,946,140
Joint Capital Projects - Suffolk	3,117,301	672,301	2,153,250	1,551,988	1,273,564	1,820,231	2,343,202	1,480,163
	7,215,975	**1,556,253**	**4,984,376**	**3,592,565**	**2,948,064**	**4,213,498**	**5,424,078**	**3,426,303**

Appendix F

Police and Crime Commissioner for Norfolk
Reserves Strategy (Budget and Medium-Term Financial Plan 2021/25)

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 fall-back to cover exceptional unforeseen circumstances), or earmarked for specific purposes. The PCC complies with the definition of reserves contained within the Chartered Institute of Public Finance and Accountancy (CIPFA) Accounting Code of Practice.

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.

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 their CFO, and that of the Chief Constable and the Chief Constable's CFO in making a reasoned judgement on the appropriate level of reserves.

4. In order to assess the adequacy of reserves when setting the budget, the PCC, in line with advice as outlined above, 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.

5. The ultimate use of reserves will be dependent upon both the timing and level of costs and savings over the period of the Medium Term Financial Plan (MTFP).

General Reserve

Assessment of adequacy

6. The **General Reserve** is held to enable the PCC to manage unplanned or unforeseen events. In forming a view on the level of 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, particularly major operations, risk of failure to deliver the savings programme and sensitivity analysis of changes in assumptions included in the MTFP.

7. Within the MTFP appropriate estimates are made of a number of key items including provision for 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. These estimates and assumptions also take into account the general financial climate.

8. Norfolk 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 and unbudgeted costs.

9. Since 2010 the constabulary has a proven track record of delivering efficiency savings year on year that will total £36m by the end of 2020/21.

10. In the MTFP detailed savings plans are in place for 2021/22 and 2022/23. These are outlined in the main budget report. The Chief Constable and PCC are committed to continuing to deliver efficiency and productivity gains in each year of the MTFP.

11. The General Reserve is currently at £4.475m (2.56% of net revenue budget). The strategy is to maintain this between 2.5% and 3% for the duration of the MTFP. This requires the reserve to be increased by £0.250m between 2021/22 and 2023/24 to £4.725m. This is a prudent and adequate amount to hold as a General Reserve. This is shown in Annex 1.

12. A call on the general reserve, particularly for major operations, would be likely to result in an application to the Home Office for additional support.

Earmarked Reserves

13. These are reserves that are held for a specific purpose, whereby funds are set aside for future use when the need arises.

14. The level of reserves and predicted movement for these reserves is set out in the attached Annex 1. All reserve levels are reviewed annually.

15. The purpose and strategy for each reserve is set out below.

16. The **Budget Support Reserve** was being held as a contingency against future demand led pressures, and had also been used to deal with the funding pressures arising from austerity. The plan was to end the use of this reserve and repurpose the remaining balance for use as part of the Invest to Save Reserve and the Capital Financing and Efficiency Improvement Reserve. However, given the economic uncertainty caused by the Covid-19 pandemic and lockdown restrictions, this reserve has been re-established and an allocation of £3m will be made into it as the 2020/21 financial year comes to a close. This reserve will be used to absorb the expected economic funding shocks that are expected to arise over the MTFP as the government looks to address unprecedented levels of debt.

17. The **Invest to Save Reserve** provides funding for initiatives that will generate future savings and also provides funds to support the cost of change. The balance in this reserve is expected to be fully used up by the end of the period of the MTFP.

18. The **Capital Financing Reserve and Efficiency Improvement Reserve** is used to help fund the short-life asset requirement of the Capital Programme. The reserve is used when the amount required for investment exceeds the budget available for this purpose. This is an important part of the funding strategy to ensure the constabulary is as efficient and productive as possible through continued investment in enabling technologies. This is a key reserve and forecast levels are reviewed each year against the capital programme to make sure there is sufficient funding available for future years.

19. The **Maturity Loan Repayment Reserve** was a new reserve that was established to build up the balances required to repay legacy maturity loans (i.e. interest only loans) the bulk of which were taken out in the 1990s. However, as borrowing is only undertaken at the point of need and cashflow is carefully monitored throughout the year the strategy has been reviewed. The loans will be paid off as required either through internal cash balances or through refinancing as necessary on improved rates and terms compared to the original loans. This is still a prudent course of action and this reserve has been re-distributed and closed.

20. The **Insurance Reserve** is being held as a contingency against future increases in premiums and/or increases in the value of assessed insurance liabilities. The reserve and also the provision within the accounts are actuarially assessed by external advisors, and as a result of this advice the reserve is being decreased to £850k.

21. The Police Reform and Social Responsibility Act 2011 sets out a number of ways that PCC's and Community safety Partnerships should work together, including a mutual duty to co-operate with regards to each other's priorities. The **Community Safety Reserve** enables the PCC to work with the Community Safety Partnership and its respective partners to support evidence-based projects at a county wide and local neighbourhood level.

22. The **PCC Reserve** is made up from previous underspends against the budgets of the Office of the Police and Crime Commissioner and the commissioning budget. The PCC reserve shown in the papers consists of three elements. The Wonder Plus element is due to be spent in the current year on the Wonder Plus project run through the OPCCN. The commissioning element is used to smooth commissioning spending over the MTFP period and to commission additional services in the community or delivered by the Constabulary, for instance in supporting victims. The PCC general element is for any urgent spend that has not been previously budgeted for in year.

23. The **Efficiency Reserve** is held for the new PCC to allocate where appropriate to support the work of the OPCCN.

24. The **Safety Camera Reserve** is held on behalf of the Safety Camera Partnership (comprising the PCC, Chief Constable and Norfolk County Council). Income is dependent upon the number of Speed Awareness courses delivered. The use is reviewed and agreed at the Safety Camera Oversight Board. **N.B.** This reserve is not included in Annex 1 as it is a partnership reserve not solely available to the PCC. It is included in Annex 2.

Compliance with Home Office guidance on reserves

25. On 31st March 2018 the Minister for Policing and the Fire Service published 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

This information is provided in Annex 2 which analyses the forecast balance on 31st March 2021 over the above headings.

Conclusion

26. The current policy, as demonstrated in the MTFP, is to maintain revenue general balances close to an operational guideline level of between 2.5%- 3% of the net annual revenue budget. Across the police service this is the generally accepted level which is appropriate.

27. The earmarked reserves have been described and the strategy is to keep these for specific purposes (excluding the Safety Camera Reserve), to ensure taxpayers' money is being used as efficiently as possible. The Strategy for the total level of reserves is that they should not drop below 6% - and this is achieved in this MTFP.

28. Having considered the levels of reserves included in the MTFP, and acknowledging the Chief Constable's commitment to work with the PCC to balance the budget over the period of the MTFP and taking account of the approach to managing financial risk described in the report, the CFOs 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.

FORECAST MOVEMENTS IN GENERAL AND EARMARKED RESERVES 2019/20 to 2024/25

ANNEX 1

PROJECTION OF RESERVES LEVELS:	Total General Reserve	Budget Support Reserve	Invest to Save Reserve	Capital Financing and Efficiency Improvement Reserve	Maturity Loan Repayment Reserve	Insurance Reserve	Regional Partnership Reserve	Community Safety Reserve	Efficiency Reserve	PCC Reserve	Total Earmarked Reserve	Total General and Earmarked Reserves
	£000	£000	£000	£000	£000	£000				£000	£000	£000
31/03/2020 Forecast	**4,475**	**1,310**	**2,125**	**5,609**	**598**	**1,000**		**500**		**1,618**	**12,760**	**17,235**
Proposed Changes 2020/21:												
Transfer to Revenue from Reserves			(175)	(1,652)				(211)		(42)	**(2,080)**	
Reallocation between reserves		1,366		(1,366)		(150)		211		(61)	**0**	
Contribution to Reserves		324		1,725	(598)				120	111	**1,682**	
31/03/2021 Forecast	**4,475**	**3,000**	**1,950**	**4,316**		**850**		**500**	**120**	**1,626**	**12,362**	**16,837**
Proposed Changes 2021/22:												
Transfer to Revenue from Reserves			(325)	(287)						(502)	**(1,114)**	
Transfer from Reserves 7F Team			(175)								**(175)**	
Reallocation between reserves	100	(100)									**(100)**	
Transfer to Revenue from Reserves - CT deficit		(700)									**(700)**	
Contribution to Reserves - capital financing											**0**	
Contribution to Reserves				250							**250**	
31/03/2022 Forecast	**4,575**	**2,200**	**1,450**	**4,279**		**850**		**500**	**120**	**1,124**	**10,523**	**15,098**
Proposed Changes 2022/23:												
Transfer to Revenue from Reserves			(321)	(1,397)						(342)	**(2,060)**	
Transfer to Revenue from Reserves - ESN				(33)							**(33)**	
Transfer to Revenue from Reserves - 7F team			(179)								**(179)**	
Reallocation between reserves	100	(100)									**(100)**	
Transfer to Revenue from Reserves - CT deficit		(150)									**(150)**	
Contribution to Reserves				0							**0**	
31/03/2023 Forecast	**4,675**	**1,950**	**950**	**2,849**		**850**		**500**	**120**	**782**	**8,001**	**12,676**
Proposed Changes 2023/24:												
Transfer to Revenue from Reserves			(317)	(780)						(94)	**(1,191)**	
Transfer to Revenue from Reserves - ESN				(287)							**(287)**	
Transfer to Revenue from Reserves - 7F team			(183)								**(183)**	
Reallocation between reserves											**0**	
Transfer to Revenue from Reserves - CT deficit		(150)									**(150)**	
Contribution to Reserves	50		50	0							**50**	
31/03/2024 Forecast	**4,725**	**1,800**	**500**	**1,782**		**850**		**500**	**120**	**688**	**6,240**	**10,965**
Proposed Changes 2024/25:												
Transfer to Revenue from Reserves			(311)	0						(12)	**(323)**	
Transfer to Revenue from Reserves - ESN				(1,068)							**(1,068)**	
Transfer to Revenue from Reserves - 7F team			(189)								**(189)**	
Reallocation between reserves											**0**	
Contribution to Reserves				3,426							**3,426**	
31/03/2025 Forecast	**4,725**	**1,800**		**4,140**		**850**		**500**	**120**	**676**	**8,086**	**12,811**

Excludes Safety Camera Partnership Reserve

FORECAST RESERVES AT 31/03/2021 ANALYSED BY HOME OFFICE CATEGORIES **ANNEX 2**

Analysis of forecast reserves as at 31.03.2021 - NORFOLK					
	Forecast Balance as at 31.3.21	**Funding for projects & programmes over the period of the current MTFP**	**New contributions during the life of the MTFP**	**Existing Funding for projects & programmes beyond 2024/25**	**General Contingency**
	£m	**£m**		**£m**	**£m**
General Reserve	4.475	0.000	-0.250	0.000	4.725
Earmarked Reserves:					
Budget Support Reserve	3.000	1.203		1.800	
Invest to Save Reserve	1.950	2.000	-0.050	0.000	
Capital Financing Reserve	4.316	3.982	-3.676	4.140	
Maturity loan repayment reserve	0.000	0.000	0.000	0	
Insurance Reserve	0.850	0.000			0.850
Partnership Reserve	0.000	0.000			0.000
Community Safety Reserve	0.500	0.000		0.500	
Efficiency Reserve	0.120				0.120
PCC Reserve	1.626	0.950			0.676
Total Earmarked Reserves	12.362	8.135	-3.726	6.440	1.646
Safety Camera Reserve	1.210	0.000	0.000	1.210	
Total Reserves	18.047	8.135	-3.976	7.650	6.371

The Office of the Police and Crime Commissioner for Norfolk Annual Investment and Treasury Management Strategy Statement 2021/22

1. Background

1.1 The PCC is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the PCC's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2 The second main function of the treasury management service is the funding of the PCC's capital plans. These capital plans provide a guide to the borrowing need of the PCC, essentially the longer-term cash flow planning, to ensure that the PCC can meet his capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet PCC risk or cost objectives.

1.3 The contribution the treasury management function makes to the PCC is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.4 CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5 This PCC has not engaged in any commercial investments and has no non-treasury investments.

2. Reporting requirements

Capital Strategy

2.1 The CIPFA 2017 Prudential and Treasury Management Codes require, for 2021/22, all local authorities to prepare a capital strategy report, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

2.2 The aim of this capital strategy is to ensure that the PCC fully understands the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

2.3 The Capital Strategy will be published separately but is included within the PCC's Budget and MTFP report.

Treasury Management reporting

2.4 The PCC is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. Prudential and treasury indicators and treasury strategy (this report) **-** The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators); (Annex 1)
- a minimum revenue provision (MRP) policy, (how unfunded capital expenditure is charged to revenue over time); (Annex 2)
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

b. A mid-year treasury management report – This is primarily a progress report and will update the PCC on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. An annual treasury report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3. Treasury Management Strategy for 2021/22

3.1 The strategy for 2021/22 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators; see Annex 1.
- the minimum revenue provision (MRP) policy. See Annex 2.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the PCC;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Training

3.2 The CIPFA Code requires the responsible officer to ensure that officers with responsibility for treasury management receive adequate training in treasury management. This also applies to Audit Committee members responsible for scrutiny. Training on the Prudential Code and the Capital Strategy was provided to Audit Committee members in October 2018.

Treasury management consultants

3.3 The PCC uses Link Asset Services as its external treasury management advisors. The current contract with Link expires on 31 August 2022.

3.4 The PCC recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, our treasury advisers.

3.5 It is also recognised that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The PCC will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

The Treasury Management Function

3.6 The CIPFA Code defines treasury management activities as "the management of the PCC's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

3.7 The PCC regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the PCC, and any financial instruments entered into to manage these risks.

3.8 The PCC acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

3.9 The PCC is required to operate a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties, providing adequate liquidity before considering investment return.

3.10 A further function of the treasury management service is to provide for the borrowing requirement of the PCC, essentially the longer term cash flow planning, typically 30 years plus, to ensure the PCC can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using internal cash balances on a temporary basis. Debt previously borrowed may be restructured to meet PCC risk or cost objectives.

3.11 The PCC has delegated responsibility for treasury management decisions taken within the approved strategy to the PCC CFO. Day to day execution and administration of investment and borrowing decisions is undertaken by Specialist Accountants based in the Joint Finance Department for Suffolk and Norfolk Constabularies.

3.12 External treasury management services continue to be provided by Link Asset Services in a joint contract with the PCC for Suffolk. Link Asset Services provides a range of services which include:

- Technical support on treasury matters and capital finance issues.
- Economic and interest rate analysis.
- Debt services which includes advice on the timing of long term borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments.

- Credit ratings/market information service for the three main credit rating agencies (Fitch, Moody's and Standard & Poors).

3.13 Whilst Link Asset Services provide support to the treasury function, under market rules and in accordance with the CIPFA Code of Practice, the final decision on treasury matters remains with the PCC.

3.14 Performance will continue to be monitored and reported to the PCC as part of the budget monitoring report.

3.15 Link Asset Service's Economic Forecast is set out in Annex 3.

4. Investment Strategy 2021/22

4.1 Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

- Q1 2021 - 0.10%
- Q1 2022 - 0.10%
- Q1 2023 - 0.10%

4.2 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Financial Year	Budgeted Interest Earnings
2020/21	0.1%
2021/22	0.1%
2022/23	0.1%
2023/24	0.1%
2024/25	0.25%
Later Years	2.00%

The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.

The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by what, if any, deal the UK agrees as part of Brexit.

There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

Negative investment rates
While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

4.3 There are 3 key considerations to the treasury management investment process. MHCLG's Investment Guidance ranks these in the following order of importance:

- security of principal invested,
- liquidity for cash flow, and
- investment return (yield).

Each deposit is considered in the context of these 3 factors, in that order.

4.4 MHCLG's Investment Guidance requires local authorities and PCCs to invest prudently and give priority to security and liquidity before yield, as described above. In order to facilitate this objective, the Guidance requires the PCC to have regard to CIPFA's Code of Practice for Treasury Management in the Public Sector.

4.5 The key requirements of both the Code and the Investment Guidance are to produce an Annual Investment and Treasury Strategy covering the following:

- Guidelines for choosing and placing investments – Counterparty Criteria and identification of the maximum period for which funds can be committed – Counterparty Monetary and Time Limits.
- Details of Specified and Non-Specified investment types.

5. Investment Strategy 2021/22 - Counterparty Criteria

5.1 The PCC works closely with its external treasury advisors to determine the criteria for high quality institutions.

5.2 The criteria for providing a pool of high-quality investment counterparties for inclusion on the PCC's 'Approved Authorised Counterparty List' is provided below

- **UK Banks** which have the following minimum ratings from at least one of the three credit rating agencies:

UK Banks	**Fitch**	**Standard & Poors**	**Moody's**
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

- **Non-UK Banks** domiciled in a country which has a minimum sovereign rating of AA+ and have the following minimum ratings from at least one of the credit rating agencies:

Non-UK Banks	**Fitch**	**Standard & Poors**	**Moody's**
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- **Part Nationalised UK Banks –** Royal Bank of Scotland Group (including Nat West). These banks are included while they continue to be part nationalised or they meet the minimum rating criteria for UK Banks above.
- **The PCC's Corporate Banker –** If the credit ratings of the PCC's corporate banker (currently Barclays Bank plc) fall below the minimum criteria for UK Banks above, then cash balances held with that bank will be for account operation purposes only and balances will be minimised in terms of monetary size and time.
- **Building Societies –** The PCC will use Building Societies which meet the ratings for UK Banks outlined above.

- **Money Market Funds (MMFs) –** which are rated AAA by at least one of the three major rating agencies. MMF's are 'pooled funds' investing in high-quality, high-liquidity, short-term securities such as treasury bills, repurchase agreements and certificate of deposit. Funds offer a high degree of counterparty diversification that include both UK and Overseas Banks.

- **UK Government –** including the Debt Management Account Deposit Facility & Sterling Treasury Bills. Sterling Treasury Bills are short-term (up to six months) 'paper' issued by the UK Government. In the same way that the Government issues Gilts to meet long term funding requirements, Treasury Bills are used by Government to meet short term revenue obligations. They have the security of being issued by the UK Government.

- **Local Authorities, PCCs etc. –** Includes those in England and Wales (as defined in Section 23 of the Local Government Act 2003) or a similar body in Scotland or Northern Ireland.

5.3 All cash invested by the PCC in 2021/22 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

5.4 The Code of Practice requires local authorities and PCCs to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for use, additional market information will be used to inform investment decisions. This additional market information includes, for example, Credit Default Swap rates and equity prices in order to compare the relative security of counterparties.

5.5 The current maximum lending limit of £10m for any counterparty will be maintained in 2021/22 to reflect the level of cash balances and to avoid large deposits with the DMO. Where there is a surplus of cash due to unplanned cashflows, in order to keep within the counterparty limit with the PCC's bankers, the PCC will place investments using other secure liquid financial instruments, e.g. Money Market Funds.

5.6 In addition to individual institutional lending limits, "Group Limits" will be used whereby the collective investment exposure of individual banks within the same banking group is restricted to a group lending limit of £10m.

5.7 The Strategy permits deposits beyond 365 days (up to a maximum of 2 years) but only with UK banks which meet the credit ratings at paragraph 5.2. Deposits may also be placed with UK Part Nationalised Banks and Local Authorities for periods of up to 2 years.

5.8 A reasonable amount will be held on an instant access basis in order for the PCC to meet any unexpected needs. Instant access accounts are also preferable during periods of credit risk uncertainty in the markets, allowing the PCC to immediately withdraw funds should any concern arise over a particular institution.

6. Investment Strategy 2021/22 – Specified and Non-Specified Investments

6.1 As determined by CLG's Investment Guidance, Specified Investments offer "high security and high liquidity". They are Sterling denominated and have a maturity of less than one year or for a longer period but where the PCC has the right to be repaid within one year if he wishes. Institutions of "high" credit quality are deemed to be Specified Investments where the possibility of loss of principal or investment income is small. From the pool of high quality investment counterparties identified in Section 5, the following are deemed to be Specified Investments :

- Banks: UK and Non-UK;
- Part Nationalised UK Banks;
- The PCC's Corporate Banker (Barclays Bank plc)
- Building Societies (which meet the minimum ratings criteria for Banks);
- Money Market Funds;
- UK Government;
- Local Authorities, PCCs etc.

6.2 Non-Specified Investments are those investments that do not meet the criteria of Specified Investments. From the pool of counterparties identified in Section 5, they include:

- Any investment that cannot be recalled within 365 days of initiation.

6.3 The categorisation of 'Non-Specified' does not in any way detract from the credit quality of these institutions, but is merely a requirement of the Government's guidance.

6.4 The PCC's proposed Strategy for 2021/22 therefore includes both Specified and Non-Specified Investment institutions.

7. Borrowing Strategy 2021/22

7.1 Capital expenditure can be funded immediately by applying capital receipts, capital grants or revenue contributions. Capital expenditure in excess of available capital resources or revenue contributions will increase the PCC's borrowing requirement. The PCC's need to borrow is measured by the Capital Financial Requirement (CFR), which simply represents the total outstanding capital expenditure, which has not yet been funded from either capital or revenue resources.

7.2 For the PCC, borrowing principally relates to long term loans (i.e. loans in excess of 365 days). The borrowing strategy includes decisions on the timing of when further monies should be borrowed.

7.3 Historically, the main source of long term loans has been the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office (DMO). The maximum period for which loans can be advanced by the PWLB is 50 years. On 26 November 2020, HM Treasury reversed the increase of 100 basis points that took place on 9 October 2019, following a response to a consultation that was published on 25 November 2020. Lending by the PWLB is now on the proviso that CFOs confirm that the authority does not intend to buy investment assets primarily for yield at any point in the next three years.

7.4 External borrowing currently stands at £23.81m (excluding PFI). At 31 March 2020 there was a £32.1m Capital Financing Requirement (CFR) relating to unfunded capital expenditure which had been financed from internal resources. The CFR is estimated to be £37.9m at 31 March 2021, £46.3m at 31 March 2022 and £50.5m at 31 March 2023. Additional long term borrowing is estimated at £10.2m for 2021/22, £7.7m for 2022/23 and £5.7m for 2023/24. The borrowing requirement does not include the funding requirement in respect of assets financed through PFI.

7.5 The challenging and uncertain economic outlook outlined by Link Asset Services in Annex 3, together with managing the cost of “carrying debt” requires a flexible approach to borrowing. The PCC, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks identified in Link Asset Services economic overview (Section 3).

7.6 The level of outstanding debt and composition of debt, in terms of individual loans, is kept under review. The PWLB provides a facility to allow the restructure of debt, including premature repayment of loans, and encourages local authorities and PCCs to do so when circumstances permit. This can result in net savings in overall interest charges. The PCC CFO and Link Asset Services will monitor prevailing rates for any opportunities during the year. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt

7.7 The PCC has flexibility to borrow funds in the current year for use in future years, but will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the PCC can ensure the security of such funds

7.8 The PCC will continue to use the most appropriate source of borrowing at the time of making application, including; the PWLB, commercial market loans, Local Authorities and the Municipal Bond Agency.

8. Treasury Management Prudential Indicators

8.1 In addition to the key Treasury Indicators included in the Prudential Code and reported separately, there are two treasury management indicators. The purpose of the indicators is to restrict the activity of the treasury function to within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these indicators are too restrictive, they will impair the opportunities to reduce costs/improve performance. The Indicators are:

- **Maturity Structures of Borrowing** – These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing and require upper and lower limits. It is recommended that the PCC sets the following limits for the maturity structures of its borrowing at 31.3.21:

	Actual*	**Lower Limit**	**Upper Limit**
Under 12 months	0.8%	0%	15%
12 months and within 24 months	5.0%	0%	15%
24 months and within 5 years	14.7%	0%	45%
5 years and within 10 years	16.6%	0%	75%
10 years and above	62.9%	0%	100%

* Actual is based on existing balances at 10.12.20

- **Upper Limits to the Total of Principal Funds Invested for Greater than 365 Days –** This limit is set with regard to the PCC's liquidity requirements. It is estimated that in 2021/22, the maximum level of PCC funds invested for periods greater than 365 days will be no more than £4.475m.

Annex 1

Prudential Code Indicators 2021/22, 2022/23, 2023/24

1. Background

1.1 The Prudential Code for capital investment came into effect on 1st April 2004. It replaced the complex regulatory framework, which only allowed borrowing if specific government authorisation had been received. The Prudential system is one based on self-regulation. All borrowing undertaken is self-determined under the prudential code. A revised Prudential Code was published in December 2017 and was applied from 2018/19.

1.2 Under Prudential arrangements the PCC can determine the borrowing limit for capital expenditure. The Government does retain reserve powers to restrict borrowing if that is required for national economic reasons.

1.3 The key objectives of the Code are to ensure, within a clear framework, that capital investment plans are affordable, prudent and sustainable. The Code specifies indicators that must be used and factors that must be taken into account. The Code requires the PCC to set and monitor performance on:

- capital expenditure
- affordability
- external debt
- treasury management (now included within Treasury Management strategy)

1.4 The required indicators are:

- Capital Expenditure Forecast
- Capital Financing Requirement
- Actual External Debt
- Authorised Limit for External Debt
- Operational Boundary Limit for External Debt

However authorities are now advised to use local indicators, where this would be beneficial, especially if carry out commercial activities.

1.5 Once determined, the indicators can be changed so long as this is reported to the PCC.

1.6 Actual performance against indicators will be monitored throughout the year. All the indicators will be reviewed and updated annually.

2. The Indicators

2.1 The **Capital Expenditure Payment Forecast** is detailed in Appendix E (of the PCC's Budget and MTFP report 2021/25). The total estimated payments are:

	2021/22	**2022/23**	**2023/24**
	£m	£m	£m
Capital Expenditure Forecast	15.825	9.902	8.908

The PCC is being asked for approval to an overall Capital Programme based on the level of capital financing costs contained within the draft revenue budget.

2.2 The **ratio of capital financing costs to net revenue budget** shows the estimated annual revenue costs of borrowing (net interest payable on debt and the minimum revenue provision for repaying the debt), as a proportion of annual income from local taxation and non-specific government grants. The estimates include PFI MRP and interest costs. Estimates of the ratio of capital financing costs to net revenue budget for future years are:

Ratio of Capital Financing Costs to Net Revenue Budget		
2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
4.75%	4.95%	5.20%

2.3 The **capital financing requirement** represents capital expenditure not yet financed by capital receipts, revenue contributions or capital grants. It measures the underlying need to borrow for capital purposes, although this borrowing may not necessarily take place externally. Estimates of the end of year capital financing requirement for future years are:

Capital Financing Requirement			
31/03/21 Estimate	31/03/22 Estimate	31/03/23 Estimate	31/03/24 Estimate
£94.457m	£101.555m	£103.941m	£104.737m

2.4 The guidance on **net borrowing for capital purposes** advises that:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the PCC should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

Net borrowing refers to the PCC's total external borrowing net of any temporary cash investments and must work within this requirement.

2.5 The Code defines the **authorised limit for external debt** as the sum of external borrowing and any other financing long-term liabilities e.g. finance leases. It is recommended that the PCC approve the 2021/22 and future years limits. For 2021/22 this will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

As required by the Code, the PCC is asked to delegate authority to the Chief Finance Officer (OPCCN), within the total limit for any individual year, to effect movement between the separate limits for borrowing and other long-term liabilities. Any such changes made will be reported to the PCC.

Authorised Limit for External Debt			
	2021/22	2022/23	2023/24
	£m	£m	£m
PWLB borrowing	33.777	40.051	44.512
Other long term liabilities (OCC PFI)	23.373	22.679	21.906
Other long term liabilities (PIC PFI)	31.848	30.771	29.634
Headroom	17.636	15.637	13.921
Total	106.633	109.138	109.974

These proposed limits are consistent with the Capital Programme. They provide headroom to allow for operational management, for example unusual cash movements.

2.6 The Code also requires the PCC to approve an **operational boundary limit for external debt** for the same time period. The proposed operational boundary for external debt is the same calculation as the authorised limit without the additional headroom. The operational boundary represents a key management tool for in year monitoring.

Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified again. The PCC is asked to delegate authority to the Chief Finance Officer (OPCCN), within the total operational boundary for any individual year, to make any required changes between the separately agreed figures for borrowing and other long-term liabilities. Any changes will be reported to the PCC.

Operational Boundary Limit for External Debt			
	2021/22	2022/23	2023/24
	£m	£m	£m
PWLB borrowing	33.777	40.051	44.512
Other long term liabilities (OCC PFI)	23.373	22.679	21.906
Other long term liabilities (PIC PFI)	31.848	30.771	29.634
Total	88.997	93.501	96.053

Annex 2

Minimum Revenue Provision (MRP)
MRP Policy and Statement for 2021/22.

1. Introduction

1.1 The PCC is required to make a charge against the revenue budget each year in respect of capital expenditure financed by 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.

1.2 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.

2. Options for Making Prudent Provision

2.1 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
Authorities may continue to use the formulae put in place by the previous regulations.

Option 2 - Capital Financing Requirement (CFR) Method

Under this option, MRP is equal to 4% of the non-housing CFR at the end of the preceding financial year.

Option 3 – Asset Life Method
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) Charge MRP on an annuity basis, where 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
MRP is deemed to be equal to the provision required in accordance with deprecation 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.

2.2 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.

2.3 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.

3. MRP Policy

3.1 Before 1 April 2019 the option adopted for expenditure incurred after 1 April 2008 was Option 3a (Equal Instalment method). This method was deemed prudent whilst assets were primarily being internally financed.

3.2 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.

3.3 Option 3b (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 therefore adopt a similar MRP basis as those assets financed through lease or PFI arrangements.

3.4 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.

4. Recommendations

4.1 It is proposed that the following MRP policy is adopted as follows for 2021/22:

- 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

Norfolk PCC Precept 2021/22 – £14.94 (5.68%) increase in Council Tax

COUNCIL TAX PRECEPT					
£14.94 (5.68%) increase in council tax in 2021/22					
			£		
Budget Requirement			183,056,344		
Less Government Funding			100,168,120		
To be met from council tax (incl. surplus)			82,888,224		
Billing Authority	**Taxbase**	**Precept Amount**	**Surplus on Collection Fund**		**Total Payments Due**
		£	**£**		**£**
BRECKLAND	44,446	12,356,516	(61,056)		12,295,460
BROADLAND	46,660	12,971,947	(60,990)		12,910,957
GT. YARMOUTH	28,910	8,037,269	(131,646)		7,905,623
K.LYNN & W. NORFOLK	52,048	14,469,864	(431,993)		14,037,872
NORTH NORFOLK	40,959	11,387,062	(53,216)		11,333,846
CITY OF NORWICH	37,408	10,399,798	73,382		10,473,180
SOUTH NORFOLK	50,233	13,965,276	(33,990)		13,931,286
	300,664	83,587,732	(699,508)		82,888,224

Vaulation Band	**Council Tax 2020/21**	**Council Tax 2021/22**	**Increase Year**	**Increase Week**
	£	**£**		
A	175.38	185.34	9.96	0.19
B	204.61	216.23	11.62	0.22
C	233.84	247.12	13.28	0.26
D	263.07	278.01	14.94	0.29
E	321.53	339.79	18.26	0.35
F	379.99	401.57	21.58	0.42
G	438.45	463.35	24.90	0.48
H	526.14	556.02	29.88	0.57

(i)	As in previous years instalment payments will be made to the PCC by the district councils on the day that they receive their government grant instalments. This will minimise the cash flow effect on the collection authorities.
(ii)	Where a surplus on collection of 2020/21 council tax has been estimated, the District Council concerned will pay to the PCC its proportion of the sum by ten equal instalments, as an addition to the May 2021 to February 2022 precept payments.
(iii)	Where a deficit on collection of 2020/21 council tax has been estimated, the District Council concerned will receive from the PCC its proportion of the sum by ten equal instalments, as a reduction to the May 2021 to February 2022 precept payments.

Office of the Police & Crime Commissioner
Precept Consultation 2021/22 Results

Summary

1. The Police and Crime Commissioner (PCC) has a statutory duty to consult Norfolk people on his proposals ahead of setting the policing budget, and with it, how much they will contribute through council tax.
2. The Panel received previously a report detailing the method, timescales and key dates for the 2020/21 police precept consultation, setting out how the consultation would meet the challenge of being fair and inclusive in challenging conditions resulting from the social restrictions in place to respond to the Covid 19 pandemic.
3. The consultation set out the context in which the PCC is having to make his decision on the precept for 2021/22, including the challenges for policing and community safety in Norfolk, and then asked respondents to indicate their level of support for the PCC's precept proposal. Qualitative feedback was also collated in order to understand further the reasoning for people's decisions.
4. In total there were 987 responses to the consultation and 54% either strongly agreed or agreed with the proposal to increase the precept by 5.68%.

1. Approach

1.1 The 2021/22 police precept consultation took the form of a survey - available both online and in hard copy – with people also having the opportunity to submit their views by email or letter.

1.2 Due to the global pandemic and subsequent lockdown restrictions, face to face engagement was not conducted during the four-week consultation period. Instead the PCC held a number of virtual question and answer sessions to engage with the residents of Norfolk, to seek their views on the precept proposal. These Q&As included:

- All Norfolk public Q&A.
- PCC – Independent Advisory Group Engagement Event.

1.3 The consultation was also support by a comprehensive communications strategy to raise awareness of the consultation and to maximise participation. This included press releases, the use of social media and the use of partner communication channels.

1.4 As standard practice when conducting a public consultation, an Equality Impact Assessment (EIA) was completed before the launch. It was noted in the EIA, that there may be some protected characteristic groups who could be excluded as they are unfamiliar with engaging via digital platforms, such as the elderly. The engagement strategy remained unchanged due to restrictions preventing an alternate approach and to ensure the safety of the elderly and vulnerable. The responses to the survey were monitored throughout the consultation period and reviewed in comparison to the EIA, with the results showing older age groups were well represented.

2. Results

2.1 In total, there were 987 valid responses to the consultation, and a total of 54% strongly agreed or agreed with the proposal to raise the precept by 5.68%. A breakdown of responses is set out in Table 1 below.

Table 1: Responses to PCC Precept Proposal of 5.68%	
Strongly agree	36% (355)
Agree	19% (186)
Neither agree nor disagree	6% (56)
Disagree	13% (125)
Strongly disagree	27% (265)
Total	100% 987

2.2 From the qualitative feedback (see Appendix A), the main factors driving support for the proposal included:

- Resources being allocated to community poling, domestic abuse and cybercrime.
- A feeling that the police have provided excellent service during the pandemic and need the extra funding to support the continued delivery of the service.
- Support for continued investment in policing to ensure the force can meet the continued rising demand.

2.3 For those that did disagreed or strongly disagreed with the proposals, a number of common themes were expressed including:

- Affordability due to the impact of Covid on jobs.
- Evidence of impact of previous precept increases.
- Questioning the need for the extra money when central Government is providing funding for more police officers.

Appendix A – Analysis of Results

Part 1: Analysis of survey results by demography

Table 3: Responses by District Council Area									
	Breckland	Broadland	Great Yarmouth	Kings Lynn & West Norfolk	North Norfolk	Norwich	South Norfolk	Not stated	Total
Strongly agree	5%	7%	3%	4%	5%	3%	8%	0%	36%
Agree	2%	4%	1%	1%	2%	3%	5%	0%	19%
Neither/nor	2%	1%	0%	1%	0%	1%	0%	0%	6%
Disagree	2%	3%	0%	1%	3%	1%	2%	0%	13%
Strongly disagree	5%	4%	2%	2%	5%	3%	5%	1%	27%
Total	16%	20%	6%	9%	16%	11%	21%	2%	100%

Table 4: Responses by gender					
	Female	Male	Please specify	Not stated	Total
Strongly agree	12%	23%	0%	1%	36%
Agree	8%	10%	0%	1%	19%
Neither/nor	2%	3%	0%	1%	6%
Disagree	4%	8%	0%	1%	13%
Strongly disagree	6%	18%	0%	3%	27%
Grand Total	32%	61%	1%	6%	100%

Table 5: Responses by age group									
	16-24	25-34	35-44	45-54	55-64	65-74	75 +	Prefer not to say	Total
Strongly agree	1%	4%	6%	7%	5%	7%	3%	1%	36%
Agree	0%	2%	3%	2%	4%	4%	2%	1%	19%
Neither/nor	0%	1%	1%	1%	1%	1%	1%	1%	6%
Disagree	0%	1%	1%	2%	2%	3%	1%	1%	13%
Strongly disagree	0%	2%	4%	6%	5%	5%	1%	2%	27%
Grand Total	3%	10%	15%	20%	18%	20%	9%	5%	100%

Table 6: Responses by ethnicity						
	Strongly agree	Agree	Neither/nor	Disagree	Strongly disagree	Total
African	0%	0%	0%	0%	0%	0%
Any other black background	0%	0%	0%	0%	0%	0%
Any other Ethnic Group	0%	0%	0%	0%	0%	0%
Any other mixed background	0%	0%	0%	0%	0%	0%
Caribbean	0%	0%	0%	0%	0%	0%
Chinese	0%	0%	0%	0%	0%	0%
English/Welsh/Scottish/Northern Irish/British	34%	17%	5%	11%	21%	88%
Gypsy or Irish Traveller	0%	0%	0%	0%	0%	0%
I do not wish to disclose my ethnic origin	1%	1%	1%	1%	4%	8%
Indian	0%	0%	0%	0%	0%	0%
Irish	0%	0%	0%	0%	0%	0%
Other	1%	1%	0%	0%	1%	2%
White and Asian	0%	0%	0%	0%	0%	0%
White and black African	0%	0%	0%	0%	0%	0%
White and Black Caribbean	0%	0%	0%	0%	0%	0%
Total	36%	19%	6%	13%	27%	100%

Table 7: Responses by disability				
	No	Prefer not to say	Yes	Total
Strongly agree	32%	1%	4%	36%
Agree	15%	1%	3%	19%
Neither/nor	5%	1%	0%	6%
Disagree	11%	1%	1%	13%
Strongly disagree	21%	2%	3%	27%
Grand Total	83%	6%	11%	100%

Part 2: Comments - Top 10 Themes

Table 8: Top ten themes from comments						
	Strongly agree	**Agree**	**Neither agree nor disagree**	**Disagree**	**Strongly disagree**	**Total**
These increases in tax are impacting household budgets	4	3	4	22	38	71
Policing needs investment	46	12	2	0	2	62
Visible policing	15	10	6	12	18	61
People are stretched financially by response to Covid-19	2	0	2	11	36	51
Happy to pay more	31	7	3	1	1	43
General dissatisfaction with the police	4	1	1	6	30	42
Make efficiencies	4	4	2	3	25	38
Precept always increases	0	0	2	3	21	26
Save money on PCCs Office/PCC	1	4	1	9	10	25
The cost of policing keeps increasing without improving service	0	0	0	5	14	19