



Sussex Police & Crime Commissioner

To:	The Police and Crime Commissioner for Sussex
From:	Chief Finance Officer
Subject:	Approval of the Council Tax Precept, Revenue and Capital Budgets 2021/22
Date:	08 February 2021

Purpose of Report:

On 29 January 2021 the Police and Crime Panel agreed the proposal of the Police and Crime Commissioner for Sussex to issue a band D council tax precept for the Sussex area of £214.91. There are statutory requirements for the Commissioner to calculate the budget requirements and formally issue a precept for the financial year and this report meets those requirements.

Recommendations:

As set out on the attached report it is recommended that the Police and Crime Commissioner approves:

- The revenue and capital budget 2021/22;
- The reserves policy;
- The calculations of council tax in 2021/22 in accordance with sections 43, 44 and 47 of the Local Government Finance Act 1992, as amended;
- The council tax precept of £214.91 for band D to be issued in 2021/22;
- The prudential indicators;
- The method of calculating Minimum Revenue Provision (MRP) for 2021/22.

The Police and Crime Commissioner for Sussex 08 FEBRUARY 2021

Approval of the Council Tax Precept and Revenue and Capital Budgets 2021/22

Report by Iain McCulloch, Chief Finance Officer to the Police and Crime Commissioner for Sussex

Section: Contents

1	Purpose of the Report	3
2	Background	3
3	Introduction	3
4	Overall Financial Picture and Four-Year Plan	7
5	Police Finance Settlement 2021/22.....	7
6	Council Tax	9
7	Budget Considerations	10
8	Savings and Efficiency Plans	12
9	Sussex PCC Public Consultation on the Police Precept 2021/22	13
10	Revenue and Capital Budget 2020/21	15
11	Revenue Budget Summary 2021/22	17
12	Capital & Investment Programme 2021/22.....	20
13	Reserves 2021/22	24
14	Adequacy of Reserves and Robustness of Budget Estimates	27
15	Council Tax Requirement.....	30
16	The Prudential Code of Practice in Local Authorities	30
17	Minimum Revenue Provision.....	31
18	Financial Considerations	31
19	Risk Management	31
20	Recommendations	32
	APPENDIX A (FINANCIAL RISK ANALYSIS)	35
	APPENDIX B (PRUDENTIAL INDICATORS)	40
	APPENDIX C (MINIMUM REVENUE PROVISION (MRP) STATEMENT 2021/22).....	42
	APPENDIX D (RESERVES POLICY)	44
	APPENDIX E (TAX BASE AND LEVY 2021/22).....	46
	APPENDIX F (LETTER FROM THE CHAIR OF THE PCP CONFIRMING PRECEPT DECISION)	48

1 Purpose of the Report

- 1.1 The purpose of this report is to request the Police and Crime Commissioner for Sussex (the PCC) to approve the revenue budget, capital programme and precept for the financial year 2021/22 and issue a demand to the billing authorities as a major precepting authority.

2 Background

- 2.1 The Local Government Finance Act 1992, as amended by the Localism Act 2011 sets out the requirements for the Commissioner to consider council tax calculations by major precepting authorities.
- 2.2 This report sets out the proposed revenue budget and capital programme for 2021/22, together with a review of the current year's budget position to allow a budget and council tax to be approved in accordance with legislative requirements.
- 2.3 In preparing the Revenue and Capital Budgets for 2021/22 the PCC has considered the following issues:
- The Police Grant settlement for 2021/22;
 - The key principles underlying the four-year Medium Term Financial Strategy 2021/22 – 2023/24 (MTFS);
 - The likely revenue and capital outturn for 2020/21;
 - The savings and efficiencies to be made in 2021/22;
 - Delivery of the Police and Crime Plan;
 - Planned investments;
 - The options for the council tax precept;
 - Reserves;
 - Risk assessment; and
 - The Prudential Code for Capital Finance in Local Authorities.

3 Introduction

- 3.1 This 2021/22 budget continues the investment into the strengthening of Sussex Police that was started in earnest 2018/19. It also addresses the public priorities as set out in the new Police and Crime Plan 2021/24.
- 3.2 The pandemic has created an unprecedented financial challenge in 2020/21 and that is expected to continue into 2021/22 and beyond. The PCC has worked closely with the Chief Constable and her senior team to understand in detail the operational needs of Sussex Police for this coming year and the financial pressures. The decision to increase the police precept to fund operational policing was based on these extensive discussions and the results from substantial online public consultation, including 64 focus groups with parish, town and district

councillors – more details can be found later in this report at Section 9.

The Chief Constable's Investment Requirement

- 3.3 The 2021/22 funding settlement has given the PCC additional ring-fenced investment to recruit a further 121 police officers in Sussex, plus 6 to the regional organised crime unit, as part of the national uplift programme (last year 129). This is in addition to the 250 police officers that Sussex Police have been recruiting through the previous precept requirements to build back officer numbers into vital frontline services.
- 3.4 The new police officer, PCSO recruits and specialist staff have begun to make a positive impact, strengthening local divisions, improving public contact, and modernising policing. The uplift in the frontline has built the force's capacity to respond to neighbourhood crime and anti-social behaviour as well as start to make impact in roads in tackling serious and organised criminality.
- 3.5 New units such as the Rural Crime Team, and the Tactical and Specialist Enforcement Units have had a significant impact. The uplift also enabled a more visible presence and better engagement with communities (both physically and online) which has proved vital given the challenges of the past year.
- 3.6 However, the Chief Constable has made a strong case calling for further targeted resource investment to be able to maintain this success, respond effectively against rapidly increasing demand and, critically, be able to deal with the emerging new and serious crime threats. Through a detailed and careful assessment of the policing requirement to confront the post COVID pandemic landscape, the Chief Constable identifies what additional resource is required to equip the Force with the capability and resilience it requires to properly meet these threats.
- 3.7 At the start of 2020, total crime demand was 15% up on the same months in 2019 and this was against a backdrop of year on year crime rises. The successive lockdowns introduced to tackle the pandemic have suppressed this slightly, but as seen nationally, new threats have emerged as criminals adapt to the circumstances. Notably this has been through increases in 'online exploitation' and 'digitally-enabled crime' targeting in particular those most vulnerable by virtue of age, health or social circumstance.
- 3.8 Modelling shows that once the economy re-opens and restrictions are lifted it is likely that crime levels will return to being as high, if not higher, than they were in 2019. The use of social media and new technologies has been exacerbated by lockdown conditions with noticeable increases in offences relating to cyber fraud, obscene images and the grooming of children. These crimes by their nature require

specialist investigative resource and techniques to solve and bring perpetrators to justice.

- 3.9 Another key area of concern is the legacy that the pandemic and its long aftermath will have on the extent of domestic abuse. Whilst domestic abuse has been rising steadily for years, partly generated by increased confidence in reporting, the proportion of this devastating crime during the pandemic has increased substantially to 20% of all crime demand. Whilst the force has prioritised those at greatest risk and targeted offenders, it is predicted that this crime will continue to pose one of the greatest harms to the public and reporting will increase once lockdown conditions are eased.
- 3.10 Serious and organised crime has continued during the pandemic, with criminals adapting innovatively to the new landscape and utilising the internet and social media more vigorously to exploit. Arguably the greatest threat continues to be driven by those organised crime groups involved in drug supply through county lines targeting the very young and vulnerable with complex needs. It is predicted that, due to the long-lasting impact of a damaged economy combined with the effects of extended isolation, there may be far greater numbers of people in Sussex who are vulnerable to this sort of exploitation.
- 3.11 To respond to these pressing challenges the Chief Constable has stated that there is a need to progress the investment to continue local recruitment plans and to bolster the force's central response and investigative capacity to deal with the rising demand and emerging threats. The added investment in these areas is needed by the force to fortify its capability to meet the constantly changing nature of serious and organised crime, particularly online and digitally-enabled as well as the enhanced risk of drug and county line-related violent crime and domestic abuse.
- 3.12 To achieve this requirement the investment will be used in the following areas:
- Uplift Sergeant and Inspector posts in Response and CID to increase capacity in local policing and provide better supervision of officers and improved management of incidents and investigations, particularly serious violence and knife crime.
 - Further invest in the Rural Crime Team providing greater protection from and swifter outcomes to rural crime and incidents.
 - Provide more investigators – with a focus on catching more criminals, increasing solved crimes and preventing repeat offending.

- Expand the successes of the Investigation & Resolution Centre and Local Resolution Team to improve early investigative processes for volume crime, providing a better service for victims and enabling swift identification of linked/repeat offences and organised criminality.
- Increase the number of officers dealing with subjects on the Violent and Sex Offender Register (ViSOR) managing some of the force's highest harm perpetrators. This will address hidden harm, prevent re-offending and ensure sustained public protection.
- Introduce a new Public Confidence Team to listen to and learn from complaints and feedback, resolving issues swiftly, and highlighting positive impacts for neighbourhoods.
- Increase in capacity to deal with Freedom of Information requests to assist with responses to public enquiries.
- Provide long term support to Operation Centurion, a successful operation working closely with the Metropolitan Police to share intelligence and investigate county lines and Class A dealing, and to close drug dealers down at source.
- Sustain joint investment in Outside Enquiry Team Detectives to support historic investigations which will enable the Major Crime Team to progress unsolved homicides, maintain/build investigative momentum and seek opportunities to progress and conduct those enquiries that are likely to lead to a prosecution. This will lead to an increase in the number of resolved homicide enquiries, improved public confidence and ongoing support for the National Homicide Reduction Plan.
- Invest in anti-corruption capability to deliver the highest possible professional standards.
- Deliver a Digital Investigation Improvement Programme, which will substantially improve the way all officers and staff manage the online element of investigations, including: capture of evidence; extraction of digital data from devices; interrogation and processing of digital information; management of digital disclosure; and advice for victims. Almost all crimes now have a digital footprint, making this initiative critical to protect the public and catch criminals.
- Enhance the use of data analytics to enable better management of information and intelligence to target activity to catch criminals.

- Improve tools for victim surveying to provide better feedback to the force and enable continuous improvement of services.
- Initiate a pilot to reduce internal demand and generate efficiencies using robotic process automation – which will ensure that police officer and staff time is better spent on strategic and operational priorities, rather than administration.

4 Overall Financial Picture and Four-Year Plan

- 4.1 The Medium Term Financial Plan (MTFS) which is published at the same time as this report sets out the financial context for the revenue budget, capital programme and precept for the next financial year 2021/22 and estimates for a further three financial years.
- 4.2 It brings together all resources including grant, precept, fees and charges, income for special policing and use of reserves and capital.
- 4.3 This sets out that the plans are affordable over the four financial years. It also addresses risk. The MTFS covers four years – but years two to four are uncertain. A three year spending review was expected from 2021/22 however due to the pandemic the Chancellor took the decision to focus on the public finances and set a one year settlement.

5 Police Finance Settlement 2021/22

- 5.1 The 2021/22 Final Settlement was announced on 4 February 2021 following the provisional settlement on 17 December 2020 in a written statement by the Policing Minister, Kit Malthouse. Full details of the Settlement can be found on the [Home Office gov.uk](https://www.homeoffice.gov.uk) pages.
- 5.2 The key elements of the national settlement are:
 - Core Grant (including the Police Uplift grant) increases from £7.8bn to £8.2bn, a difference of £413.6m an increase of 5.3% to recruit 6,000 more officers for year 2 of the Police Uplift Programme.
 - £15 precept flexibility for all PCCs, or equivalent.
 - £87.4m (8%) decrease in reallocations from £1.1bn in 2020/21 to 1.03bn in 2021-22.
 - Flat cash pension grant allocations compared to 2020/21.
 - Capital grant remains cash flat for PCCs at £12.3m
 - £52.3m capital funding for national priorities and infrastructure
 - In addition, the Ministry of Housing, Communities and Local Government (MHCLG) announced support to billing and major precepting authorities of support for council tax collection funded deficits and local council tax reduction scheme costs.

- The police funding formula review was not mentioned in the settlement announcement but is expected to be revisited within the next spending review.

5.3 The Government expects the police to continue to build on the progress made on improving efficiency and productivity in return for the significant increase in investment. The Government expects to see:

- 6,000 further officers – on top of the first tranche of 6,000 to be recruited in 2020/21 – recruited by the end of March 2022. The ring fence grant of £100m will be paid to forces in line with their progress in recruitment.
- £120m of efficiency savings from across the law enforcement sector – which are reflected in the funding set out as part of the settlement – delivered in 2021/22. These to be delivered through a combination of improved procurement practices (including the delivery of £20m of savings through BlueLight Commercial) as well as savings in areas such as estates, agile working and shared/enabling services. The policing sector to work with the Home Office in setting up and supporting a new Efficiency in Policing Board.
- Policing needs to ensure that high quality data is collected and utilised effectively to support local delivery, identify efficiencies and support the National Policing Board’s drive to deliver the best possible policing outcomes for the public. The Home Office & National Police Chiefs’ Council will bring together in one document their strategies, plans and initiatives for improving data collection and use across the sector and with key delivery partners such as criminal justice agencies.

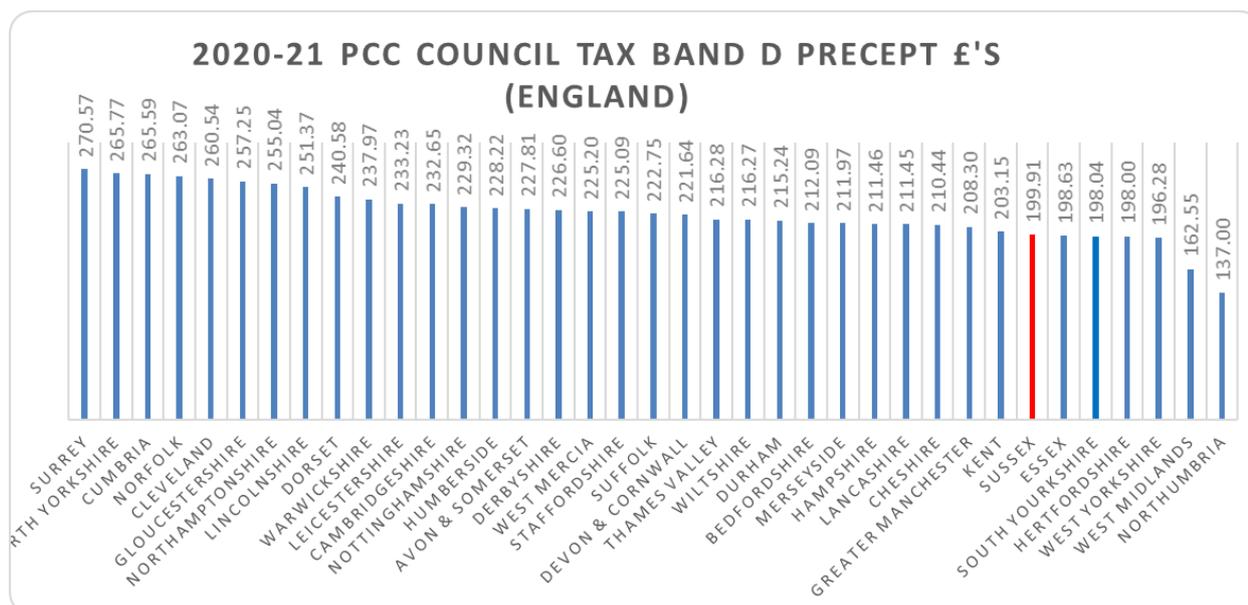
5.4 For Sussex, the implications from both of the settlements are as follows:

- Flat cash grant apart from resources to fund the Sussex share of Operation Uplift, the national programme to recruit a further 20,000 police officers by 2023. The grant increased by £8.8m which includes the 129 officers recruited in 2020/21 and to recruit an additional 121 officers for Sussex and 6 for the Regional Organised Crime Unit in 2021/22.
- To ensure recruitment targets are met an Operation Uplift Performance Grant of £2.1m has also been provided, part of the £8.8m.
- Option to increase precept by up to £15.

- The £15 Band D increase could generate up to £9.4m for investment in local policing, before taking into account the tax base change and collection fund deficit, which reduces the amount to £9.1m.
- Capital grant remains at £0.243m.
- Local Council Tax Reduction Scheme grant of £1.9m to meet the tax base shortfall.
- The spreading of 2020/21 council tax collection fund deficits over three financial years instead of one.
- Relief on 75% to cover irrecoverable council tax losses for 2020/21.

6 Council Tax

- 6.1 The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any PCC that wishes to raise the council tax above the limits that apply to them will have to hold a referendum.
- 6.2 The council tax precept for Sussex was one of the lowest - 31 out of 37 – of English policing bodies during 2020/21 at £199.91 per annum for a Band D property. The table shows the range of precepts by policing body in England. The median was £222.75.



- 6.3 The settlement for 2021/22 confirmed that all PCCs would be able to increase their precept by up to £15 without having to hold a referendum. This represents increase of 5.3% for Sussex.

Year	Band D Council Tax	Change £	Change %
2021/22	£214.91	£15.00	7.5%

- 6.4 In accordance with legislation the council tax option to increase the precept by £15 was considered by the Police and Crime Panel on 29 January 2021. The Panel supported the proposal and the letter from the Chair of the Panel confirming the increase can be found in Appendix F.
- 6.5 Billing Authorities have advised that the council tax base for 2021/22 has decreased by 2,188.10 (0.35%) to 627,771.20 Band D.
- 6.6 The increase to the Band D precept by £15 will raise an additional £9.416m for 2021/22.
- 6.7 The anticipated precept income of £134.914m is included in the budget and the MTFS that sets out the assumptions and detail of how this decision is affordable over the medium term.
- 6.8 In addition all thirteen billing authorities in East and West Sussex and Brighton and Hove City Council will require Sussex PCC to pay collection fund deficits totalling £0.347m in 2021/22.

7 Budget Considerations

- 7.1 When calculating the budget requirement consideration has also been given to a number of budget requirements including:
- Pay and price increases;
 - Revenue implications on the capital and investment programme;
 - Efficiencies; and
 - Other cost pressures
- 7.2 **Pay and Price Inflation**
- 7.3 The indicative budget forecasts for 2021/22 reflect a positive approach to managing the impact of inflation on budgets wherever possible, in that there has been an uplift on non-pay items of on average 2% per year over the period for inflationary pressures. In addition, estimates for future pay awards at 2% have been included for both staff and police officers, except for 2021/22 where a public sector pay freeze has been directed (apart from employees earning £24,000 or less where a £250 increase will be made) following an un-planned increase in the salary of 2.5% during 2020/21.
- 7.4 **Revenue Implications of the Capital and Investment Programme**
- 7.5 The revenue implications of the programme are fully reflected in the budget.

7.6 **Other Cost Pressures**

- 7.7 Sussex Police agreed to progress technology innovation to improve the contact from the public and plan to implement a new Unified Communications system during the year, which will enhance the Forces capability and improved the service offering to the public.
- 7.8 Another technology improvement is the use of Digital Interviewing which will replace outdated stand-alone machines and the use of physical discs, the new system will retain the recording on the network and allow quick access for officers across the Force.
- 7.9 Several contractual arrangements and unavoidable costs were identified over and above the level of inflation. These included Pension Remedy costs for the additional administration resulting from the appeal against the pension changes introduced by the government, see paragraph 7.13. Nationally driven costs from Home Office for centrally managed IT systems such as PNC (increase of 9.6%), the National Enabling Programme which requires use of Microsoft 365 with a licence increase of £1m plus the use of the National Monitoring Service at £0.2m and a cost increase from the National Police Air Service. Reflecting the low interest rate and lower cash balances the interest received is lower by £0.4m and with three additional bank holidays requires overtime to ensure minimum manning levels are maintained. The pandemic during 2020/21 led to additional cost which was partly met from government support, the year-end position is expected to be over spent which needs to be met and savings that were planned have not been achieved as activity focused on ensuring maintaining service during the pandemic. The increase in police officers is welcome, however one of the consequences is the incremental pay cost as the police officers move through the pay scale and to reduce pressure on the revenue budget more capital borrowing will be employed to finance long term assets resulting in capital charges being met by the revenue budget.
- 7.10 Apprenticeship Levy – The Government introduced a new Apprenticeship Levy tax in accordance with Part 6 of the Finance Act 2016 with effect from 6 April 2017. This levy adds a further 0.5% of the of the total payroll cost pressure to meet each year. Apprenticeship Schemes are being considered and developed in line with the Government levy criteria to offset related apprenticeship costs. We have been drawing on the levy account and predict that in the 2021/22 financial year we will have drawn down the full amount and have included an additional allocation as once the levy is depleted there is a cost share arrangement with government. During the year there were apprenticeship schemes in operation for police constables and PCSO's and the Force is exploring the introduction of a scheme for Contact Staff and the Finance Team.
- 7.11 Emergency Services Network – The programme to replace the current

operational communication system has been delayed and the Programme has been reset. A full Business Case was carried out by the government alongside the programme re-set during the year. The new focus is on getting the products and services that emergency services customers want, when they need them. This means key elements of ESN can be tested, adopted and being to be used as they become available, rather than having to wait until every element of the network is finished. The strategic aim of the Emergency Services Mobile Communications Programme (ESMCP) is to deliver a much better voice and data service to the emergency services and it will replace the reliable but limited and ageing 'Airwave' system.

7.12 Several contractual arrangements and unavoidable costs were identified over and above the level of inflation.

7.13 Police Pensions – A revaluation of the police pension scheme led to further costs to be met by forces which has been mitigated by a pension grant and a small increase in grant funding. A case was brought forward to challenge the transitional arrangements put in place for certain pension schemes which has been accepted. This may lead to future changes to the respective pension schemes and additional costs for police forces. The next revaluation of the police pension scheme is expected in 2023/24 which may lead to future changes to the employer's contribution, the last increase was in the order of 10% which the government provided a specific grant that offset most of the increase however there remains a financial risk as the Forces may have to meet the increase.

7.14 A risk assessment of expenditure and income estimates can be found in Appendix A.

8 Savings and Efficiency Plans

8.1 The multi-year change programme continued to deliver complex transformation across Sussex Police and savings of at least £2.4m in 2020/21 to support investment and change programmes.

8.2 The table shows the planned efficiency savings for 2021/22.

2020/21	Risk	2021 /22
£m		£m
0.9	Red	0.0
0.6	Amber	3.0
0.9	Green	5.0
2.4	Total	8.0

8.3 In anticipation of the changing economic outlook Sussex Police engaged CIPFA to assist the Force develop a robust and achievable savings plan for 2021/22. The plans they proposed from working with

the budget holders were scrutinised by Chief Officers. All the savings in the higher risk group were discounted at this stage and the majority of the amber and all the green proposals have been included in the financial plan.

- Green – these included changing the method of funding capital, ongoing departmental savings plans and contractual changes.
- Amber – consist of tighter control on specific cost categories and employee vacancy management.
- Red – these involved longer term changes in the employee ratio and changes to terms and conditions.

8.4 The development of the efficiency plan continues to meet identified future funding shortfall in future years. The work of CIPFA has provided a number of proposals that the Force will commence work on early in the financial year in order to be confident in setting a sustainable budget over the MTF5 period.

8.5 Internal governance arrangements are in place to track achievement of savings and new investments, to monitor the pace of change sufficiently to provide management with early warning should plans not progress as anticipated and ensure any additional action required is undertaken during the year. Detailed business cases to realise savings targets are presented and considered at the Joint Chief Officer Meeting and the Strategic Change Board.

8.6 Sussex Police will continue to review its efficiency savings and future investment plans to ensure quality service delivery is maintained, future financial risks are considered, and funding can be directed to priority areas.

9 Sussex PCC Public Consultation on the Police Precept 2021/22

9.1 The Police Reform and Social Responsibility Act 2011 places a duty to consult with residents within Sussex on the proposals of the PCC for expenditure (including capital expenditure) and the precept in that financial year.

9.2 Throughout the year the PCC has continued to consult and engage with Sussex residents and their local representatives using a range of innovative methods. The outputs have informed the PCC's plans and her recommendation regarding the precept. Further details can be found Appendix 2 – What the Public Said, What the Public Want – Presentation.

9.3 A total of 64 consultations were held with town and parish councils in lieu of the focus groups that would normally have been held. They were arranged through the Surrey and Sussex Association of Local Councils. 32 were held April to June. 32 were held November to

December.

- 9.4 Hearing what matters to people: The main focus was levels of police engagement with communities. Local perceptions were tested along with local experience of increased police visibility and levels of public confidence. In December, 11 out of 32 Councils said there were 'very happy' with levels of police engagement. 21 out of 32 councils rated themselves 'fairly happy'.
- 9.5 Support for police and more funding: Councillors reported strong public support for police. 69% (22 out of 32) of the towns and parishes said they would support an increase in the Precept of £15 if police published local success stories. These councillors represent 293,607 people registered to vote, and a total of 350,000 residents.
- 9.6 How safe do people feel where they live? From April 1st last year an online sentiment meter was published on the PCC website that allowed people to rate how safe they felt where they lived. Levels of confidence have remained stable or slightly improved from April to January. A total of 4,179 people participated and this will increase as the meter is still live.
- 9.7 In November, the Government Spending Review announced that PCCs could increase their precept by up to £15.
- 9.8 In preparing the PCC's new Police and Crime Plan, the opportunity was taken to ask the public to rate their policing priorities and to provide their views on precept levels.
- 9.9 Policing priorities and funding survey and the Policing Challenge: To reach the widest audience in Sussex including younger residents a unique Policing Challenge online game was designed as an interactive way to show people's priorities. Choices were displayed with other users, and we included the same questions about levels of precept increase.
- 9.10 Reaching audiences across the county: The poll was promoted from 10 December to 10 January through every available channel and partner and ensured the widest media coverage across the county. The survey options were featured 49 times across all local papers and TV. That achieved a reach of 644,804 people and 97% of coverage was positive.
- 9.11 Further detailed information on the extent and reach can be found in Appendix 2 and 3 this includes: targeted social media promotion (by age); district results from the sentiment meter; district results for survey returns; and Sussex Police analytics sampling of the survey.
- 9.12 What the public want: A combined total of 4,465 responses were received to both the survey and the game (the polls).

- 9.13 The top five priorities were:
- Serious violence and knife crime.
 - Rape and sexual assault.
 - Drug dealing and county lines.
 - Burglary.
 - Neighbourhood policing.

9.14 Support for £15 Precept Increase: Combining the results from both polls it can be seen that between 70%-74.7% are in favour of any increase in the precept; 50.8% are in favour of a £15 increase; 19.2% are in favour of a £10 increase and 25.3% do not support an increase. We can be confident that the margin of error across this sample size is 1.46%.

10 Revenue and Capital Budget 2020/21

10.1 Throughout the year, the PCC closely scrutinises the spending of the precept, delivery of the policing investment and performance. Scrutiny has been through a variety of public facing Performance and Accountability meetings, monthly Local Policing Boards, financial monitoring and other monitoring within my scheme of governance.

10.2 The PCC reviews and publishes the overall police fund revenue and capital budget monitoring during the year and approves revisions to those budgets in line with the Financial Regulations, these reviews and decisions are then noted as key decisions on the PCC’s website.

10.3 The revenue and capital monitoring forecast as at 31st December 2020 was as follows:

Sussex	2020/21 PCC Budget £m	2020/21 Operational Delivery Budget £m	Total 2020/21 Budget £m	2020/21 Total Forecast £m	Variance £m
Month 9	11.5	298.4	309.9	311.7	1.9

10.4 The Revenue and Capital Monitoring Update 2020/21 for the 9 months to 31st December 2020 show the Chief Constable’s revenue budget is forecasting a £1.9m shortfall as at December 2020. However, after the use of reserve money to cover the financial impact of the COVID-19 pandemic not covered by the support provided by the government, plus the mitigating actions put in place through compensatory underspends, it is expected that a balanced budget can be achieved by the financial year-end.

10.5 Major element of the financial pressure is as a result of the COVID-19 pandemic.

- 10.6 The Force forecast of additional costs, not including police officer and staff time, is £7.3m and the recovery of costs from the Home office of £4.9m leaving a cost pressure of £2.4m. The Force has put in place expenditure restrictions and closely monitored the financial position each month which have minimised the shortfall in the year.
- 10.7 In addition, employee pay rises were 0.5% higher than planned, savings planned have not been achieved as resources have been diverted to support the Covid19 response. The Force has been successful in its recruitment efforts to increase police officers which has in turn created a cost pressure within the revenue budget. Income levels have been suppressed, with government support for 75% of the loss, however with a significant policing presence at Gatwick airport which was scaled back also led to a cost pressure. Efforts continue to minimise the year end forecast shortfall with general reserves meeting the £1.9m and replenished in 2021/22.
- 10.8 Other financial pressures arising will be funded through compensatory savings in the revenue budget to ensure financial balance. The main mitigating underspends are in police staff and in third party supplier contracts.
- 10.9 The Force Strategic Planning Board provides oversight, monitoring and high-level control of people & financial resource along with demand analysis and meets monthly.
- 10.10 The financial reporting of variances is considered as a regular item at the board, where a commitment has been given to work in the remainder of the financial year, where possible to bring spending within budget, but also recognising variances based on planned areas to address key operational issues. In year savings are being sought across the organisation such as in IT and Estates. An Overtime Working Group has been established to review policy, guidance and practice to ensure overtime is given appropriate management.
- 10.11 In the event of a revenue underspend or over spend position at the end of the year the sum will be transferred to/from reserves in accordance with the reserves policy and PCC approval. An under spend would then be available to support the ongoing transformation and change programme. An over-spend would be funded either via a reserve or through a budget contribution in the following financial year.
- 10.12 The capital budget for 2020/21 was approved by the PCC in February 2020 totalling £15.8m with an additional £2.2m capital slippage from 2019/2020 resulting in a total capital programme totalling £18.0m. The force runs a flexible programme managing schemes over a rolling 2-year period enabling schemes to be bought forward or deferred. During the year agreed budget virements have been processed (including capital carried forward from 2019/20) resulting in a revised capital budget of £16.6m.

Sussex	2020/21 Capital Budget £m	2020/21 Capital Actual £m	2020/21 Capital Forecast £m	Forecast Variance £m
Month 9	16.6	9.9	20.5	3.9

10.13 The annual forecast spend is £20.5m resulting in a reported net variance of £3.9m. The budget will be revised to take account of a capital project that has recently received approval.

11 Revenue Budget Summary 2021/22

11.1 A summary of the 2021/22 Net Revenue Budget follows:

2020-21 £m	Chief Constable	2021-22 £m
167.519	Police Officer Pay	170.060
90.104	Police Staff Pay	89.737
10.784	PCSO Pay	10.868
9.486	Other Employee Costs	9.546
277.894	Total Pay Costs	280.212
11.645	Buildings & Premises	12.103
10.098	Transport Costs	10.300
41.687	Supplies & Services	48.305
3.041	Third Party Payments	3.102
66.471	Total Non-Pay Costs	73.810
(44.217)	Income & Grants	(44.468)
300.148	Base Operational Delivery Budget	309.554
0.000	Investment Proposed	13.162
0.000	Savings Plans	(7.969)
0.000	Savings Requirement	0.000
300.148	Operational Delivery Budget	314.747
2020-21 £m	Office of the PCC	2021-22 £m
0.122	Police & Crime Commissioner	0.120
1.332	Office of the PCC	1.449
1.700	Community Safety	1.700
0.576	REBOOT	0.590
2.547	Victim Services	2.583
0.000	Grant Funded Projects Net	0.000
(1.992)	Grant Income (Victims)	(1.992)
4.285	Total Income & Expenditure	4.449
4.919	Financial Provisions	8.476
(0.500)	Treasury Management Interest	(0.150)
1.000	Transfer to / (from) General Reserves	0.000
0.000	Transfer to / (from) Earmarked Reserves	1.463
5.419	Total Provisions & Reserves	9.789
9.704	Total PCC Controlled Budgets	14.238
309.852	TOTAL POLICE FUND	328.985

11.2 The budget for the Chief Constable provides for all day to day operational policing activities. The budget for the Police and Crime Commissioner includes running costs of the Office of the Police and Crime Commissioner, community safety, victim support and

restorative justice, capital financing costs for both corporate bodies, treasury management interest and transfers to and from reserves.

- 11.3 The Police and Crime Commissioner budget includes the direct costs of the PCC remuneration, travel and subsistence.
- 11.4 The 'Office of the PCC' includes salary and associated costs of the PCC, Chief Executive, Chief Finance Officer and any other staff employed to support the PCC as well as office-running costs. It also includes other statutory local policing body costs such as internal and external audit, banking and treasury management for example.
- 11.5 The 2016 HMICFRS Value for Money profiles highlighted that in 2016/17 the PCC's budget was the 6th lowest per head of population of the policing bodies in England and Wales. HMICFRS no longer collects and compares that information.
- 11.6 Further details of the work that the team carries out to support the PCC and the corporation sole can be found on the Sussex Police and Crime Commissioners website at this link.

Community Safety

- 11.7 The PCC continues to support Community Safety initiatives and Community Safety Partnerships (CSP) through the Community Safety Budget.
- 11.8 The budget also includes resources for a mediation service.
- 11.9 The budget also includes the Safer in Sussex Community Fund (SISCF) which provides financial support to local community groups, voluntary and third-sector organisations which are working to reduce crime, improve community safety and help people recover from the impact of crime. The PCC will continue to develop and grow this market to provide services which meet the needs of communities and help to keep Sussex safe.

REBOOT Programme

- 11.10 The Sussex PCC was one of nineteen to be successful and awarded additional funding from the Home Office's Early Intervention Youth Fund (EIYF) in 2019, which originated from the Serious Violence Strategy (SVS) launched in April 2018. This enabled development of the Sussex REBOOT programme in 2019/20 which is targeted at young people at risk of the drivers of serious violence. REBOOT involves multiple partners, to build on what is positive in a young person's life to deter them from criminality. REBOOT continued to be supported during 2020/21, however together with the respective budget allocation of £589K the programme will transition into Sussex Police to lead & manage during 2021/22.

Victim Services and Restorative Justice

- 11.11 The Ministry of Justice (MOJ) allocates a grant to the PCC to spend on victim services and child sexual abuse services. The grant is allocated between PCCs on the basis of population. A total grant of £1.992m been allocated to Sussex in respect of Victims Services and Restorative Justice for 2021/22. This is the same sum as 2020/21.
- 11.12 An additional £0.135m from the MOJ central rape support fund was awarded last financial year to recruit more Independent Sexual Violence Advisers for Sussex. This was a two-year settlement and will continue to the end of 2021/22. In July 2020, because of the sudden closure of the Rape Crisis Charitable Centre in Crawley, a further £0.105m was allocated by MOJ to ensure those impacted could secure support in other local services. This is again on a two-year settlement so will continue to the end of 2021/22 financial year.
- 11.13 The Victim Services and Restorative Justice budget is also supplemented by further locally funded budget resources. The Sussex Restorative Justice Service Budget allocation for 2020/21 was £247,000. This allocation supported the ongoing maintenance of the service to include salaries, training, resources and professional memberships. Performance and monitoring highlight the ongoing demand for the service and the high satisfaction rates of participants. As a quality assurance exercise, between June and November 2020, a detailed 'Service Model' review was conducted. The review identified opportunities to enhance the service which will be developed and implemented during the financial year 2021/22. The budget requirement is anticipated to be at a similar level accepting slight increases in annual salary 'increments.
- 11.14 The Government announced an additional national allocation of £40m for victims' services which will be distributed through different mechanisms. The funding which is proposed to go through PCCs includes:
- £9.7m for Domestic Abuse (DA);
 - £5m for Sexual Violence (SV); and
 - £16m to further expand the availability of ISVAs and IDVAs (which will be available for 2 years).

Grant Funded - Home Office Serious Violence Fund

- 11.15 The Home Office have invested £70m over two years into the 18 areas worst affected by serious violence to develop multi-agency Violence Reduction Units. The Sussex PCC was successful in 2019/20 and 2020/21 securing £880K in both years to establish a coordinated response to serious violence. Additionally, an extra £2.9M from Digital Culture Media & Sport package of support for small and micro charities; with Sussex receiving £74,720 in the first round and £53,080

in the last quarter of 2021.

- 11.16 Three VRPs have been set up in Brighton & Hove, East and West Sussex, with an oversight group to monitor their targeted activity. Partners have adopted a public health approach that has included embedding tactics such as: early interventions to help vulnerable young people and educate them on the consequences of criminality; training staff in schools and hospitals; and working with local community organisations.
- 11.17 For 2021/22 the Home Office have confirmed £35m for Violence Reduction Units to those areas worst affected with Sussex expected to receive a further £880K; for essentially year 3 of the programme. This is yet subject to confirmation.

Provisions, Treasury and Reserves

- 11.18 Financial provisions include the revenue and financing costs of the capital programme, interest receivable on cash balances and the pay and price contingency.
- 11.19 Investment and borrowing are managed via the PCC's Treasury Management Strategy which is approved annually in March following a review by the Joint Audit Committee.
- 11.20 The PCC is responsible for the management of all reserves and the reserves strategy has been explained later in this report.

12 Capital & Investment Programme 2021/22

- 12.1 Capital and investment expenditure of £14.7m in 2021/22 to be financed by a combination of government grant, capital receipts, borrowing and revenue contributions.
- 12.2 The following table summarises the capital programme 2021/22:

2020/21	Sussex Capital & Investment Programme	2021/22
£m		£m
4.5	Information Technology	2.4
0.4	Business Led IT Projects	0.4
6.1	Fleet Replacement and Equipment	4.7
4.5	Estate Strategy	6.7
1.1	Operational Equipment	0.5
16.6	Total	14.7

- 12.3 Key areas to note in the programme are:

- **Information Technology** (Computers and Communications) – Information Technology (IT) plays an important role in the delivery of services to communities. Investment is required to support projects and programmes at three different levels – National, Regional and Local. Projects as wide ranging as Moving to Microsoft Office 365, the need to

deliver on-line self-service platforms to allow individuals to obtain information or access non-emergency services at a time and place which suits their needs, moving to IT cloud based solutions, data centre phone exchange systems, mobile data technology replacement and digital evidence management systems. Investment will also continue on the roll out of devices for frontline staff;

- **Business led IT projects include;**
 - **Unified Communication** – this will introduce a modern telephony and public contact communication system to improve the efficiency of the Call and Dispatch Centre and provide more channels for the public to contact the Force.
 - **Emergency Services Network** – This is a national programme to replace the current operational communication system. The strategic aim is to deliver a much better voice and data service to the emergency services and it will replace the reliable but limited and ageing 'Airwave' system. As this project is delayed the existing handsets are reaching end of life and an allocation has been included to replace the handsets, Sussex Police move to ESN will be later in the implementation phase to obtain value from the investment in the new airwave handsets.
- **Enterprise Resource Planning (equip).** The decision of the Tri-Force programme to draw to a conclusion the relationship with our external partners has been reflected in the budget with the programme ending in 2020/21. Decisions on the future direction of travel are still in the process of considering the opportunities and risks but will be reported as a separate project in future. Funding will be incorporated in the MTFS to finance future activities when plans are agreed.
- **Fleet** (Vehicles and Equipment) – The provision of an efficient, cost effective and sustainable fleet is essential to delivery of policing activities across the county. The pre-planned vehicle replacement programme will therefore continue throughout the MTFS period. New vehicles are purchased direct from manufacturers through National Framework Agreements to maximise the benefits of scale. However, increased cost pressures in this area of investment have been observed recently due to a number of factors including price increases of at least 3.5% on vehicle purchases and more frequent replacement requirements due to high levels of mileage. Incorporating evolving technologies such as vehicle ANPR, in-car telematics and CCTV technologies add a further level of cost and complexity to ensuring vehicles are fit for purpose. This helps Sussex Police identify and match resources effectively against demand and reduce overall costs for vehicles (including fuel and maintenance). In a proactive initiative to meet the requirement for "cleaner and more environmentally friendly" vehicles, hybrid and electric vehicles are being purchased for selected operational roles. Whilst the initial purchase price of these vehicles is higher, savings in fuel and running costs are expected to reduce the whole life cost of these vehicles, compared with their wholly fossil fueled alternatives.
- **Estates Strategy** (Building Works and Estates & Facilities) – The Estates Strategy seeks to provide an estate that supports and improves the delivery of policing services for the public in an affordable and cost-effective way. The Strategy for 2018/2022 continues to identify

opportunities to rationalise the estate, and reduce running costs, by providing efficient and affordable building shared with partners. The Strategy focuses on continued delivery of these properties in East Sussex, with a new tranche of shared co-located premises, in some significant new build properties in West Sussex. This is alongside Sussex Police investing in key freehold owned hubs, to enable officers and staff to work from dedicated buildings in a flexible manner across the estate, and offsite or within the community. This investment is underpinned by identifying potential surplus sites to generate capital receipts, and ongoing revenue income through commercial lease.

A review is currently under way to reassess the Estate to ensure it is sufficient for the anticipated additional uplift of police officers and staff brought about through continued investment locally and the Government's Operation Uplift (the pledge to recruit 20,000 additional police officers in England and Wales by 2023). In addition, the PCC will also be considering how the Strategy can transform the existing publicly accessible estate to provide better community information, assurance and engagement.

A revised Strategy will be published later this year when more information is known in respect of the operational and financial implications of the Home Office police spending review.

- **Operational Equipment** – This includes a range of operational investments: Investment within the Operations Department includes Automatic Number Plate Recognition (ANPR) investments supporting strategic roads infrastructure along with other Operations Command Equipment and Drones. Other investment in Communications includes Command and Control system updates, CCTV and communications technology.

12.4 The funding for the programme is summarised in the table below.

2020/21	Capital Funding Summary	2021/22
£m		£m
0.2	Government & Other Grants	0.4
10.7	Capital Receipts	5.4
0.8	Borrowing	6.3
4.2	Revenue Contribution	2.6
0.7	Other	0
16.6	Total	14.7

Government Grant

12.5 The Government provides an annual grant of £0.243m to support our capital and investment.

Capital Receipts

12.6 Income from the sale of surplus buildings and land can only be used to fund capital transactions. The anticipated receipts are estimated at £5.4m. As highlighted in the risk assessment these are at risk of not being achieved either in quantum or timing. These risks are mitigated by regular review of all major projects including the Estates through regular monitoring reports to the PCC.

Other - Developer Contributions

- 12.7 The budget recognises the impact that the creation of new homes within Sussex will have on policing and the PCC recognises the importance of seeking appropriate funds to support the operational budget of Sussex Police.
- 12.8 New properties and a growing population have a demonstrable impact on policing, in the same way it does on education, health and library services, for example. Developers are frequently required to contribute towards community and social infrastructure such as new or expanded schools, highway improvements, public realm improvements (open spaces & public art), community facilities (leisure & libraries) and health facilities.
- 12.9 On behalf of the PCC, the Joint Commercial Planning Manager has continued working with various Boroughs and Districts across Sussex to secure funding towards new or improvements to existing policing infrastructure.
- 12.10 In the last financial year, we sought an additional £203,751 through S106 agreements and secured an additional £864,956 through approved planning permissions in Sussex. This funding will be used to support several identified projects which support investment in our estate and our workforce.
- 12.11 The Force were also awarded £47,600 Community Infrastructure Levy funding towards a new public engagement vehicle. This multi-use vehicle will be used primarily within the Lewes & Eastbourne districts and is now fully operational.
- 12.12 Other projects include critical estate redevelopments to increase capacity of our major police stations, enabling the force to better accommodate the significant uplift in officers and staff joining the Force. The Force have continued recruiting new officers and staff to meet our fast-growing population and developer contributions towards our estate and fleet capacity are important to support our financial strategy.
- 12.13 These contributions will be brought into the capital and investment programme when received.

Borrowing

- 12.14 Up to this point the PCC has funded most capital investment from internal cash balances, having delayed borrowing beyond the existing loan of £4.5m from PWLB. This has been highly cost effective for several years by reducing external interest costs but is no longer sustainable in the short to medium term.

12.15 The PCC expects to need £6.3m to finance the current capital investment plans for 2021/22.

12.16 The Treasury Management Strategy and Capital Strategy set out how the PCC will manage all borrowing and investment in accordance with the CIPFA Prudential Code for Capital Finance, CIPFA Treasury Management Code and Local Government Act.

13 Reserves 2021/22

13.1 Revenue and Capital Reserves are an important resource for day to day as well as medium term financial planning despite being one-off in nature. The Chartered Institute of Public Finance and Accountancy consider that PCCs should establish reserves including the level of those reserves based on the advice of their chief finance officers and should make their own judgements taking into account all the relevant local circumstances.

13.2 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets. The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.

13.3 The PCC's reserves policy is set out in Appendix D and is subject to regular review.

13.4 A full analysis of the PCC's revenue reserves and their planned use in 2021/22 taking into account the proposals outlined is set out in the following table:

2020/21 £m*	RESERVES *estimated	2021/22 £m*
12.4	General Reserves	13.2
	Earmarked Reserves	
0.2	Local Policing Transition Reserve	0.0
0.2	Delegated Budget Holder Reserve	0.0
0.0	Capital Receipts Reserve	0.0
1.0	Capital & Investment Reserve	0.6
0.0	Covid19 Reserve	1.5
0.6	Asset Seizure Reserve	0.6
2.4	Sussex Safer Roads Partnership	2.3
4.3	Insurance Reserve	4.4
8.7	Total Earmarked	9.4
21.1	TOTAL RESERVES	22.5

Funding for planned expenditure on projects and programmes over the period of the current MTFS:

- 13.5 The Capital and Investments Reserve is used to support planned one-off and non-recurring expenditure of a capital or revenue nature in line with investment and replacement plans included within the MTFS. This is dependent on the financing requirements of the capital plans included within the relevant asset strategies e.g. the future IT Strategy, the Estates Strategy and the Joint Transport Vehicles Strategy.
- 13.6 The Delegated Budget Holder Reserve holds a proportion of balances that have arisen from underspend on the annual revenue budget.
- 13.7 Under-spend transfers to the Delegated Budget Holder Reserve (DBHR) are agreed annually with the PCC as part of the final outturn and movements in year are agreed by exception. This reserve is then available to support the change programme. The balance in the DBHR is expected to be fully utilised during 2020/21.
- 13.8 Previously the DBHR has been used to earmark funds related to the National Barrier Asset and Local Authority partner initiatives such as under-age drinking as well as internal earmarked purposes such as adjusted timing of major projects including Estates and Community Safety, major programmes and specified funding for discretionary items of pay and allowances e.g. South East Allowance.
- 13.9 The Capital Receipts Reserve contains receipts from the sale of assets which can be used to finance future capital expenditure. The Capital Receipts received in-year will be applied to fund capital expenditure in year.
- 13.10 The Local Policing Transition Support Reserve was created to support a longer phasing of reductions in local policing police officer posts which has now been fully utilised.
- 13.11 The Local Policing Transition Support Reserve was introduced in the September 2017 revision of the MTFS. It was created following the mid-year Balance Sheet review to reallocate £15m of existing earmarked reserves together with an additional £2m contribution from that year's forecast underspend in order to support a longer phasing of reductions to the number of police officers in local policing over the period to April 2020.

Funding for specific projects and programmes beyond the current MTFS planning period:

- 13.12 The Asset Seizure Reserve holds the balance of income received from the Home Office in respect of the Proceeds of Crime Act (POCA). These monies are to be used during the year following receipt in accordance

with Home Office guidance subject to the pre-agreed contingency balance to cover 12 months of costs of the agreed number of financial investigators.

- 13.13 The Sussex Safer Roads Partnership (SSRP) Reserve is where the PCC holds the balance of any SSRP under-spend amounts on behalf of the SSRP partnership as ring-fenced funding. The movements are based on the latest SSRP strategy plans approved by the SSRP board.
- 13.14 The SSRP was established by Agreement in 2007 and includes Sussex Police, Brighton and Hove City Council, East Sussex County Council, East Sussex Fire and Rescue Service, Highways England and West Sussex County Council (including West Sussex Fire and Rescue Service). The primary aim of this partnership is to reduce the number and severity of road related casualties in Sussex. This is achieved via safety camera enforcement, road safety behavioural change activity and casualty and performance data.
- 13.15 The SSRP Board of Directors represents all partners and provides officer lead and political oversight on the joint objectives of the partnership, its policy and budget including an agreed joint programme. The PCC for Sussex holds an SSRP Reserve on behalf of the partnership to keep surplus monies for planned future spending including asset replacement programme and contingency to cover redundancies and decommissioning of camera infrastructure in the event of cessation of the partnership.
- 13.16 This reserve is reviewed regularly by the SSRP Board who approve movement to and from the reserve. It also reviewed annually by Sussex Police to ensure it is maintained appropriately and in line with SSRP governance arrangements.
- 13.17 General contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management:
- 13.18 The Insurance Reserve is maintained for potential liabilities and costs which fall onto the PCC where no external insurance cover is arranged by or available to the PCC. Potential liabilities include storm damage, business interruption and claims that would fall within the PCC's policy excess limits.
- 13.19 It is a requirement that an annual audit of all liabilities relating to the Fund is carried out by an external actuary / firm of actuaries. The last review for Sussex Police was completed by the actuary firm Marsh based on data to 31 March 2020 and considered the following:
- Are the existing claims funding arrangements (Insurance Reserve plus Provision) adequate to meet all loss payments arising from self-insured risks?
 - What is the cash flow projection for historic claims, both reported

claims, and incurred but not yet reported claims? Includes the liability of the former Municipal Mutual Insurance Company.

- What contributions/injection into the Insurance Reserve / Provision should be made to finance the expected losses for the forthcoming policy year for each risk?

13.20 The review concluded that the balance of the reserve of £4.31m along with a separate provision on the balance sheet is adequate.

13.21 A further risk assessment review of the Insurance Reserve will be undertaken during 2020/21 with a view to ensuring the reserve and provision levels are appropriate and based on the latest estimates.

13.22 The General Reserves reserve is set aside for unexpected events or emergencies and provides a working cash balance to help with the impact of uneven cash flows and avoid unnecessary temporary borrowing.

13.23 The General Reserve at 1 April 2020 was £11.4m. The reserves policy principle is to maintain the general reserve at a minimum of 4% of Net Revenue Expenditure. As at 31 March 2021 the balance is estimated to be £12.4m which equates to 4.0%.

13.24 The September 2017 review of reserves considered the adequacy and need of the separate 1% operational reserve in addition to the General Reserve. It recommended that the 1%, which then totalled £2.5m, could be incorporated within the existing General Reserve balance. This sum is available to the Chief Constable for operational priorities without the need for additional approval.

14 Adequacy of Reserves and Robustness of Budget Estimates

14.1 Background Information on Reserves

14.2 Revenue and Capital Reserves are an important resource for day to day as well as medium term financial planning despite being one-off in nature. The Chartered Institute of Public Finance and Accountancy consider that PCCs should establish reserves including the level of those reserves based on the advice of their chief finance officers and should make their own judgements taking into account all the relevant local circumstances.

14.3 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets. The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.

- 14.4 [The Home Office Financial Management Code of Practice](#) also sets out the following requirements:
- PCCs to establish a policy on reserves including how they may be used;
 - Full details of how the reserves and provisions policy will operate locally;
 - Ensure that the annual budget includes a realistic amount of operational contingency that is available to the Chief Constable for operational priorities without the need for additional approval; and
 - Provision for budgets to be carried forward from one financial year to the next.
- 14.5 The establishment and maintenance of resource backed reserves are held for four main purposes:
- As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
 - Provide funds to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
 - Provide funds for the purposes of managing risk e.g. insurance reserve; and
 - As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the reserves.
- 14.6 The Chief Finance Officer has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds. Within the existing statutory and regulatory framework, it is the responsibility of the chief finance officer to advise about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
- 14.7 In assessing the appropriate level of reserves, a well-managed PCC will ensure that the reserves are not only adequate but are also necessary.
- 14.8 The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level despite the pressures to compare between PCCs nationally.
- 14.9 One of the key sources of assurance is through risk management and the process of taking appropriate action to mitigate or remove risks where possible. This in turn may lead to a lower level of reserves being

required, and it would be appropriate to consider reducing the level of balances held where appropriate action to mitigate or remove risks has been successfully undertaken. A balance will need to be found between maintaining adequate levels of reserves and investing in risk reduction measures. This balance should form part of the risk management process and be considered as part of the annual budget process.

- 14.10 The Local Government Act 2003 requires the Chief Finance Officers to undertake an assessment of the robustness of the budget estimates and the adequacy of reserves.
- 14.11 The budget and MTFs allows the Police and Crime Commissioner to consider the prudent use of reserves in the context of the future spending pressures and potential risks arising from potential changes to the funding formula without having a detrimental effect on policing.
- 14.12 In assessing the robustness of the budget, the Chief Finance Officers have considered the following issues:
- The general financial standing of the PCC;
 - The underlying budget assumptions, including an assessment of the estimates for pay and price increases;
 - A risk assessment of expenditure and income estimates including adequacy of budget monitoring and financial reporting arrangements (See Appendix A);
 - The future budget pressures identified in this report;
 - The adequacy of the budget monitoring and financial reporting arrangements;
 - The adequacy of the PCC's governance arrangements and internal control system;
 - The adequacy of general reserves to cover any potential financial risks faced by the Police and Crime Commissioner;
 - The impact of the police grant settlement.
- 14.13 At 31 March 2021, the Police and Crime Commissioner's General Reserve is estimated at £12.4m and will increase by a further £0.8m to close at £13.2m as at 31 March 2022 (4.0% of revenue expenditure), in accordance with the approved reserves policy (see Appendix D).
- 14.14 The PCC's Chief Finance Officer confirms that, after taking account of these issues, the revenue and capital estimates contained in this report are considered robust and that the level of reserves proposed in the review set out earlier is considered adequate to cover the financial risks faced by the Police and Crime Commissioner in 2021/22.

15 Council Tax Requirement

15.1 The Localism Act requires the Commissioner to set a Council Tax Requirement. The calculation of the Council Tax Requirement, based on the proposed revenue budget and contribution from reserves is set out below:

	2021/22	2021/22
	£m	£m
Total Revenue Expenditure		327.522
Less Appropriations (to) / from Reserves		(1.463)
Net Budget Requirement		328.985
Less		
Main Policing Grant	113.577	
Revenue Support Policing Grant	60.943	
Council Tax Legacy Freeze Grant	3.062	
Council Tax Local Support Grant	10.140	
Operation Uplift Performance Grant	2.100	
Pensions Grant	2.697	
Total Policing Grant		192.518
Local Council Tax Support		1.900
Balance to be raised locally		134.567
Less net deficit on collection funds		(0.347)
Council Tax Requirement		134.914

15.2 The proportion of collection funds' net deficit that Sussex Police has to pay to its constituent billing authorities is £0.347m for 2021/22 (£0.235m surplus in 2020/21).

15.3 The notified Council Tax base figure is 627,771.2 which is a decrease of 2,188 (0.35%) over the previous year.

16 The Prudential Code of Practice in Local Authorities

16.1 The CIPFA Prudential Code is a professional code of practice to support local authorities in taking decisions relating to capital investment in fixed assets. Local authorities, including police and crime commissioners and fire authorities, are required to have regard to the Code under Part 1 of the Local Government Act 2003. The basic principle of the system is that local authorities will be free to invest so long as their capital spending plans are affordable, sustainable and prudent.

16.2 In order to demonstrate that they have fulfilled the objectives of the Code, authorities must produce a range of key Prudential Indicators. The Code does not suggest indicative limits or ratios for these indicators, which are designed to support and record local decision making, and are not intended to be used for comparative purposes.

16.3 These key indicators can be split into two broad categories, affordability indicators and prudence indicators. Affordability indicators concentrate upon the level of capital investment over the period 2021/22 to

2024/25. Prudential indicators concentrate on the level and composition of external debt, and are therefore very closely linked to the PCC's Treasury Management Strategy.

16.4 The Prudential Code introduced in 2018/19 no longer specifies prudential indicators or thresholds. The PCC for Sussex has continued to apply prudential indicators as a best practice approach.

16.5 The PCC's proposed Prudential Indicators are shown at Appendix B to this report and the Capital Strategy will be published in March with the Treasury Management Strategy Statement (TMSS).

17 Minimum Revenue Provision

17.1 Regulations came into effect from March 2008 with regard to preparing an Annual Minimum Revenue Provision (MRP) Statement. MRP is the amount that needs to be set aside to reflect the depreciation of capital assets. There are no proposed changes to the method used to calculate MRP and the Annual MRP statement for 2021/22 is attached at Appendix C.

18 Financial Considerations

18.1 Financial implications are considered throughout the report.

19 Risk Management

19.1 Associated risks have been considered and recorded as appropriate and are set out in Appendix A.

20 Recommendations

1 The Police and Crime Commissioner is requested to:

- approve the revenue budget;
- approve the capital and investment budget and authorise the Chief Finance Officer to undertake the appropriate financing;
- approve the reserves policy Appendix D; and
- note the review by the Chief Finance Officer in respect of the robustness of the budget and the adequacy of reserves.

2 Note the Council Tax Base of 627,771.2 for the year 2021/22 as notified by the billing authorities within Sussex (item T in the formula in Section 44 (1) of the Local Government Finance Act 1992, as amended).

3 Approve the following amounts for the year 2021/22 in accordance with Sections 43, 44 and 47 of the Local Government Finance Act 1992, as amended:-

- (a) £375.595m being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 43 (2) (a) to (d) of the Act;
- (b) £240.681m being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 43 (3) (a) to (b) adjusted for the item set out in the Act;
- (c) £134.914m being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Police and Crime Commissioner in accordance with Section 43 (4) of the Act, as its Council Tax Requirement for the year;
- (d) £214.91 being the amount at (c) above divided by the tax base as notified by billing authorities for Sussex, calculated by the Police and Crime Commissioner in accordance with Section 44 (1) of the Act, as the basic amount of tax for the year;
- (e) Valuation bands being the amounts given by multiplying the amount of (d) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Police and Crime Commissioner in accordance with

Section 47 (1) of the Act, as the amounts to be taken into account for the year in respect of the categories of dwelling listed in different valuation bands.

Valuation Band	Amount
A	£143.27
B	£167.15
C	£191.03
D	£214.91
E	£262.67
F	£310.43
G	£358.18
H	£429.82

The Tax Base for the year 2021/22 is the aggregate of the amounts tax bases calculated by the billing authorities to which the Police & Crime Commissioner for Sussex issues precepts totalling. This totals **627,771.2 for Band D equivalents** as set out in the table below. The basic amount of Council Tax (Police Precept) is the budget requirement less the amounts receivable from other funding sources, all divided by the tax base. For 2021/22 this shall be **£214.91** to the nearest penny, for Band D properties. The amounts per band are as above.

- 4** Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2021/22 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Localism Act 2011 for 2021/22.
- 5** Resolve that in accordance with Section 40 of the Local Government Finance Act 1992, as amended, the billing authorities within the area of this authority be issued with precepts in the amount of £134,914,308.59 for the financial year beginning 1 April 2021, the amount of the retrospective precepts to be issued to each billing authority's area in accordance with the Sections 43, 44 and 47 of the 1992 Act, as amended.
- 6** Approve the Prudential Indicators as outlined in Appendix B to this report.
- 7** Accept the recommendation of the Chief Finance Officer for the method of calculating MRP for 2021/22 as set out in the Annual MRP Statement at Appendix C to this report.

Iain McCulloch
Chief Finance Officer, Office of the PCC

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Appendices:

Appendix A FINANCIAL RISK ANALYSIS

Appendix B PRUDENTIAL INDICATORS

Appendix C MINIMUM REVENUE PROVISION (MRP) STATEMENT 2021/22

Appendix D RESERVES POLICY

Appendix E TAX BASE AND LEVY SCHEDULE 2021/22

Appendix F LETTER FROM THE CHAIR OF THE PCP CONFIRMING PRECEPT
DECISION

APPENDIX A (FINANCIAL RISK ANALYSIS)

SUSSEX POLICE AND CRIME COMMISSIONER FINANCIAL RISK ANALYSIS

Issue	Assumption	Comment
Maintaining & improving service performance levels	Resources sufficient to meet targets and priorities in the Police and Crime Plan and Chief Constable Priorities	<p>The Chief Constable believes that there are sufficient resources to deliver future Police & Crime Plan priorities, Chief Constable Priorities and Strategic Policing Requirement. However there remains risk from the cost of major operations including counterterrorism, major incidents including pandemics, particularly if these are not fully funded nationally.</p> <p>The PCC has resources available for any one-off cost pressures in the form of reserves to assist Operational Policing and has approved year on year increases to the policing precept. This is evident in the ability to meet the pandemic costs in 2020/21 which are planned to be replenished in 2021/22.</p>
Pay and price budgets and establishment control	<p>Provision for national pay awards of 0% apart from employees on £24k or less.</p> <p>Staff turnover and increments based on detailed analysis of current staff profile and trends.</p> <p>General price inflation of 2%</p>	<p>Whilst the number of police officer leavers is difficult to predict, recruitment and promotions are managed during the year across the Sussex Police to match staffing need and resources to budget.</p> <p>Detailed analysis of employee costs is carried out in setting the budget with close corporate monitoring of the overall budget and management action to maintain financial discipline is particularly important to ensure resources are deployed to achieve the most effective and efficient service delivery, as well as the PCC's approved investment in Police & Crime Plan and Sussex Police priorities. The DCC Strategic Planning Board will monitor all aspects of the financial and human resources including the recruitment progress and report to the PCC.</p> <p>Pay and price contingency is available to meet unexpected increases in year.</p> <p>The risk that prices may rise is mitigated by budget monitoring arrangements, reserves and actively managing spend pressures.</p>
Limits to Precept Increases	<p>£15 in 2021/22.</p> <p>Future precept planning assumption of a £5 or 1.99% increase.</p>	<p>The ability to increase the precept complemented by Operation Uplift grant has enabled targeted and affordable investment in future years are planned at Band D increases of £5 subject to government policy and PCC annual decision.</p> <p>The Localism Act 2011 gives a statutory obligation for council tax referendums to be held should a precept higher than prescribed be approved by the PCC. The Secretary of State for Communities and Local Government set the level above which a referendum would be required.</p> <p>An increase in excess of the referendum level or precept 'cap' would result in the requirement to hold a referendum and the costs met by the OPCC.</p>
Grant Levels / Spending Review 2021	<p>Main police revenue grant increased by 4.8% for 2021/22.</p> <p>Capital grant</p>	<p>The last 3 settlements have been one year only settlements. Future reductions in funding including unfavourable review of the funding formula is possible within the MTFs period starting in 2022/23, this will be monitored regularly with proactive input to the Spending Review and any funding formula reviews or consultations arising. The future assumption is that grant will be flat cash apart from the increase in police officers under the Operation Uplift, which will end in 2022/23.</p> <p>Capital Grant reduced to £0.200m in 2020/21 from £0.925m in</p>

	flat cash for 2021/22.	2019/20 and remains at £0.200m for 2021/22. This sum could reduce again in a future Spending Review.
Council Tax	<p>Collection rates advised by individual billing authorities</p> <p>Tax Base</p>	<p>The risk of council tax collection rates being lower than expected could impact on the collection fund balances and any surpluses payable to the PCC as demonstrated with 2020/21 forecasts. Billing authorities' factor in prudent collection rates to mitigate this risk. The PCC works closely with billing authorities to monitor their key collection rates and contributes financially towards the costs of reviews of discounts, including the single person discount, and exemptions.</p> <p>The tax base is normally expected to increase during the MTFS period, but the assumptions could be impacted by changes to the mix of dwellings, discounts and the impact of unemployment numbers within billing Authorities council tax reduction schemes.</p> <p>As a result of the COVID19 pandemic this risk has increased substantially, and future estimates will be reduced and guided by the billing authority's data returns.</p> <p>There is support from government in 3 forms to mitigate some of the financial impact:</p> <ol style="list-style-type: none"> 1. Spread of the 2020/21 council tax collection fund deficits over 3 financial years; 2. A one-off grant to compensation for 2021/22 reductions experienced from the tax base as a result of the Local Council Tax Reduction Scheme 3. Grant of 75% to compensate for irrecoverable losses council tax income.
Pandemic	Risks	The Force maintained a specific risk register in response to this public health emergency including the financial risks, which comprised of staffing, cash flow, in year direct financial costs to respond and the longer term economic impact. These risks are mitigated by the control measures the specific areas within this risk analysis document as the pandemic is ongoing risk into the new financial year.
EU Exit	Risks	As above the Force maintained a stand-alone risk register and even though the exit deal and the subsequent trade deal have lowered the risks, there are potential financial consequences that have not materialised as yet, price rises due to the additional burden from imports, currency weakness or supply issues. Pay and price contingency is available to meet unexpected increases in year.
Budget Estimates (Expenditure)	Provision for specific on-going cost pressures	<p>The budget estimates including all identified additional costs for 2021/22, supported by input and review by the Chief Financial Officers.</p> <p>All cost pressures are scrutinised internally by the Chief Finance Officers and also the DCC Strategic Planning Board before inclusion in the financial plan.</p> <p>Third party assurance has been gained from engaging CIPFA to review the financial assumptions in the plan.</p> <p>Risks of budget overspend are mitigated by the monthly budget monitoring process and formal monitoring reports to the PCC.</p>
Budget Estimates (Expenditure)	Provision for Operation Uplift enablement costs	The Operation Uplift increase in police officers apart from the salaries requires additional vehicles plus running costs, IT equipment, uniform and kit. There are also costs in relation to estate provision plus running costs, recruitment and training costs. The budget estimates include the expected costs from this growth however there remains a risk that unidentified financial consequences were not catered for within the budget.

		<p>All cost pressures are scrutinised internally by the Chief Finance Officers and the DCC Strategic Planning Board before inclusion in the financial plan.</p> <p>Risks of budget overspend are mitigated by the monthly budget monitoring process and formal monitoring reports to the PCC.</p>
Budget and financial reporting	<p>Additional Investment potential in 2021/22 from Operation Uplift Officers (121) and precept new investment of £3.1m.</p> <p>Monthly 'Group' budget monitoring</p>	<p>Financial monitoring is in place with a rigorous process of monthly review, including close scrutiny by the Chief Constable's Chief Finance Officer, the PCC's Chief Finance Officer and at the monthly DCC Strategic Planning Board, at which progress against the investment is reported.</p> <p>Quarterly the PCC receives a financial update from the PCC CFO and the Force CFO and signs off the monitoring position.</p>
Savings Plan	Budget includes £8m of savings	<p>The achievement of savings developed with support from CIPFA have been scrutinised by Chief Officers as to the acceptability and achievability of the proposed savings.</p> <p>Action plans to deliver savings continue to be reviewed by Chief Officers and regular monitoring will be undertaken to track achievement of savings and ensure any additional action required is undertaken during the year.</p> <p>The savings planned in the first year of the four-year plan are within the reserves available but would be exceeded in subsequent years if not delivered.</p>
National IT System charges	Move to full cost charging without transfer of funding from Home Office.	Further potential costs related to the national Home Office charges for IT systems from a grant ratio allocation basis to a Force budget ratio which may lead to additional costs for Sussex Police including changes to training and the creation of the national police college could continue in 2021/22 and beyond. A PCC and Police group has been established to scrutinise these costs before they are agreed.
Levels of Reserves	Forecast to reduce over the term of the MTFS	<p>Currently used to finance the capital and investment programme and major change initiatives. It remains a risk that the level of reserves is adequate to meet unplanned demand and unexpected costs.</p> <p>To mitigate this risk, the General Reserve is kept at a minimum of 4% of revenue expenditure.</p> <p>An annual review of all reserves is undertaken at budget setting along with a post year-end review and update to the MTFS. Now that our budget is increasing further contributions are required to reserves in order to meet the stated limits over the period of the MTFS. Specific reserves are being employed to reduce the pressure on the revenue budget.</p> <p>A reserve by its nature can only be employed as a one-off cash injection, the savings planned in the first year of the four year plan are within the reserves available but would be exceeded in subsequent years if not delivered.</p>
Interest rates, investment and borrowing	Interest rates assumptions	Forecasts of investment income for 2021/22 onwards are based on estimated cash balances and interest rate forecasts as set out in the treasury management strategy. A prudent position has been adopted with regard to anticipating future increases in interest rates, to address the risk of interest rates being lower than expected, from a very low base.

	Borrowing at fixed rates.	<p>As economic activity has slowed markedly and interest rates reduced, in year and over the planning period estimates have been revised downwards.</p> <p>The risk of investment fund loss due to collapse of the financial institution with whom the deposit is placed, is limited by controls within the Treasury Management Strategy which focus on security rather than returns. Potential impact is mitigated by a diverse portfolio with top credit rated institutions.</p> <p>As part of the borrowing strategy in support of financing long term assets the ability to employ internal and external borrowing has been established which will be instigated by the Chief Finance Officer for the PCC.</p>
Income Assumptions	Income budgets reduced for specific items.	Some risk of achieving on-going level of income targets included in Divisional and Department budgets. This will be monitored during the year and appropriate action or mitigation agreed as necessary. Additional income may be received in-year due to unforeseen events, additional grants from Home Office or other third parties. Budget adjustments will be requested where appropriate.
Police Pension	Ruling from McCloud and Sergeant appeal	Police pensions along with many public sector pensions was reviewed to ensure a fairer balance between public purse and pensioners. The scheme was changed to a Career Average Revalued Earnings (CARE) scheme which included transitional arrangements. These arrangements were challenged and accepted by the tribunal. There is a possible risk that future employer contributions will have to increase as the cost of the scheme is expected to be higher. The risk is whether this higher employer contribution is met from government funding or rests with Forces.
LGPS Pension	LGPS reform changes	<p>HMT Restriction of Public Sector Exit Payments Regulations 2020 restrict public sector bodies from making exit payments above £95,000 in connection with a person over the age of 55 leaving employment or vacating office.</p> <p>MHCLG proposes further limitations to LGPS and compensation regulations within a wider exit payment reform which includes pension strain costs and discretionary compensation amounts. There is also a risk of legal challenge to force payment decisions as LGPS regulations are not yet consistent with HMT regulations.</p> <p>Other challenges to LGPS funds and administration include the impacts of McCloud underpin implementation, SAB and HMT cost sharing schemes, Goodwin (survivor payment equality) remedy and the alignment of LGPS valuation cycles with other government schemes e.g. police officer schemes.</p>
Policing of Gatwick Airport	Funding of £13.0m in 2021/22.	The Gatwick Airport Public Services agreement for Policing was due for renewal 31 March 2020, which coincided with the onset of the pandemic. While activity at the airport was lower short term arrangements were agreed throughout the year and a revised agreement for 2021/22 is due for sign off shortly.
Reductions in security grants	Potential reductions in Airport and other security grants.	MTFS assumes that grants will continue at current level. If subsequently reduced, savings will be made to cover the reduction outside of core savings targets.
Public Order	Additional cost of overtime and associated costs	Whilst action will be taken to mitigate the overtime and other additional costs relating to policing public order operations, significant costs may be incurred on anticipated events in 2021/22. The Force is following nationally agreed guidelines on the policing of events. It is proposed that any in-year over-achieved savings will be used as a first source for funding, otherwise other revenue budget and operational reserve

		provides potential sources of funding if necessary.
Operational Demands	Public protection	Key operational pressures include continuing demand and complexity of public protection cases (domestic abuse and vulnerable children/adults) plus changes in nature/type of evidence collection, with a growing range of digital devices having to be examined requiring additional forensic time/resource and cost to process. The Forensic Capability Network a national group are overseeing developments in the Forensic market including digital forensics. https://recruitment-dcp-dp.org/dorset-police-staff/forensic-capability-network/
Capital Programme	Latest plans	There is a risk of the capital programme being understated, or that over spending occurs, resulting in insufficient funding being available as planned. Slippage may also impact on operational demands. The capital plan is reliant of several sources of funding including capital receipts which are at risk of not being achieved either in quantum or timing. These risks are mitigated by regular review of all major projects including the Estates Strategy and ICT projects, focus on key priorities agreed in advance, together with monthly budget monitoring and regular monitoring reports to the PCC.
Capital Financing	MRP is calculated on an asset by asset basis	This Capital Financing risk is of charges being greater than budgeted. This is mitigated by considering revenue and capital implications of major project spend within the capital and investment planning process and inclusion within the MTFF. The MRP debt repayment provision is calculated on individual assets and 100% of borrowing has fixed term rates, thus will not be impacted by changes in interest rates. Borrowing is planned to finance the capital programme within this MTFS.
Regional Partners	Investment plans	The risk is that all regional partners are not aware of each partner's investment plans, estate strategy etc. which can lead to un-planned expenditure within the year. A regional Police lead for SERIP has improved the communication to minimise this possibility, within their scope.
National ICT Programmes	Latest plans	There is a risk that delays to the implementation of national ICT schemes including ESMCP, NLEDS & HOB present significant risk. These risks will be managed by regular review of all these major projects at both the Strategic Change Board and the DCC Strategic Planning Board.
Local ICT Programmes	Project transition	Following the delays experienced by the ERP project it has now entered a transition phase to assess the direction the Force wishes to take to further develop the asset taking into account their priorities, risk appetite and affordability. There is a risk due the nature of it being a major IT project that costs maybe under estimated. The associated risk is the cost of maintaining legacy systems to ensure they remain fully operational.
Risk Management		Financial consequences could result if all major risks have not been identified when the budget has been set. This is mitigated by robust risk management arrangements in place with formal reporting to the Joint Audit Committee, Organisational Reassurance Board chaired by the Deputy Chief Constable; comprehensive insurance arrangements in place; and an adequate reserves policy and reserves (including the insurance and general reserve balances).

APPENDIX B (PRUDENTIAL INDICATORS)

PRUDENTIAL INDICATORS

A. Cash Flow

1. The Police and Crime Commissioner sets the following prudential indicators as best practice before the beginning of each financial year:
 - 1) an operational limit for borrowing to reflect the likely level of borrowing required;
 - 2) an authorised limit for borrowing based on an assessment of realistic risk;
 - 3) the maximum to be borrowed at fixed rates;
 - 4) the maximum to be borrowed at variable rates; and
 - 5) the maximum to be invested for a year or longer
 - It is recommended that the operational limit be set at £27.3m for 2021/22, based on the current position with regard to debt outstanding and the spending and financing plans included in the draft capital programme.
 - It is possible that the Police and Crime Commissioner may also need to borrow temporarily for cash flow management purposes, pending receipt of income, or to meet a large expenditure flow, or to avoid withdrawing short-term investments, where interest rate effects would be detrimental. Longer term borrowing is also planning to support the capital programme. It is recommended therefore that an authorised limit for borrowing of £42.3m should be approved for 2021/22, to encompass the above operational limit and an additional £15m for temporary borrowing.
 - The Police and Crime Commissioner has long-term debt and would normally expect to borrow at fixed rates and therefore it is recommended that the limit on fixed rate debt be set to match the authorised borrowing limit. Because of market circumstances it may be advantageous to defer long-term borrowing at fixed rates for a period. The alternative would be to borrow at variable rates in the short-term and therefore it is recommended that a 25% limit should be set for 2021/22.
 - The Chief Finance Officer will continue to lend surplus cash funds in accordance with the Police and Crime Commissioner's Treasury Policy Statement. It is recommended that a limit of £5.0m be imposed on investments for a year or longer.
2. The Local Government Act 2003 also requires the setting of prudential ratios and limits in accordance within the requirements of the "CIPFA Prudential Code for Capital Finance in Local Authorities". The Code, which is based largely on self-regulation, sets out the indicators that it expects authorities to use, and the factors that they must take into account, to demonstrate that their plans are prudent, sustainable and affordable. It does not, however, include suggested, indicative limits or ratios. These are to be set by each individual Police and Crime Commissioner. Details of the recommended ratios and limits, required by the Code are summarised in the following table:

APPENDIX B (continued)
Prudential Indicators to 2020/21

	Base: Actual 2019/20	Base: Budget 2020/21	Base: Budget 2021/22
Impact of Capital Plans on Council Tax			
Impact on Council Tax (Band D Equivalent)	189.91	199.91	214.91
Tax Base Increase	14.47%	5.27%	7.50%
Financial	Actual 2019/20 £ '000s	Budget 2020/21 £ '000s	Budget 2021/22 £ '000s
Capital Expenditure	14,728	15,153	14,693
Capital Financing Requirement	16,755	17,927	21,381
Authorised Borrowing Limit	36,687	38,184	42,306
Operational Boundary	21,687	23,184	27,306
Net Borrowing	(5,845)	(25,500)	(15,500)
Financing costs	1,771	2,400	2,400
Net revenue Stream	(328,072)	(348,299)	(365,969)
Financing costs/Net revenue Stream	0.54%	0.69%	0.66%
Borrowing	Actual 2019/20 £ '000s	Budget 2020/21 £ '000s	Budget 2021/22 £ '000s
Long Term Borrowing	4,500	4,500	4,500
Long Term PFI Liability	13,760	13,371	12,720
Long Term Finance Lease Liability	598	569	539
Long Term External Borrowing	0	0	5,985
Long Term Internal Borrowing	0	1,720	0
Total Long Term Debt	18,858	20,160	23,744
<i>15% x External Debt (Total Long term borrowing)</i>	<i>2,829</i>	<i>3,024</i>	<i>3,562</i>
Operational borrowing limit	21,687	23,184	27,306
<i>£15m additional</i>	<i>15,000</i>	<i>15,000</i>	<i>15,000</i>
Authorised borrowing limit	36,687	38,184	42,306
Investments	(5,042)	(30,000)	(20,000)
Maximum investments at longer than 1 year	(1,261)	(7,500)	(5,000)
Maximum % investment longer than 1 year	25%	25%	25%
Borrowing (actual external borrowing)	4,500	4,500	4,500
Investments	(10,345)	(30,000)	(20,000)
Net Borrowing	(5,845)	(25,500)	(15,500)
Treasury Management	Actual 2019/20	Budget 2020/21	Budget 2021/22
Debt Maturity: 5-10 Years	0%	0%	56%
Debt Maturity: 10-15 Years	100%	100%	44%
Total Debt at Fixed Rates as % Net Borrowing	323%	79%	153%
Total Debt at Variable Rates as % Net Borrowing	81%	20%	38%
Maximum % Borrowing at Fixed Rates	100%	100%	100%
Maximum % Borrowing at Variable Rates	25%	25%	25%
Maximum % Investments at Fixed Rates	100%	100%	100%
Maximum % Investments at Variable Rates	85%	100%	100%
Maximum Allowable Principal Invested > 364 days	25%	25%	25%

APPENDIX C (MINIMUM REVENUE PROVISION (MRP) STATEMENT 2021/22)

The Police and Crime Commissioner is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP). Minimum Revenue Provision (MRP) is therefore an annual charge made to the revenue account which reflects the minimum amount set aside to pay off capital expenditure.

All local authorities (including PCCs) are required to make a prudent amount of MRP provision in addition to any interest payable on outstanding loans in line with Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 [SI3146, as amended]. In addition, local authorities (including PCC's) are able to make additional voluntary payments, known as Voluntary Revenue Provision or VRP. The PCC for Sussex has not made any VRP payments to date.

In guidance issued under section 21(1A) of the Local Government Act 2003, the Secretary of State recommends that before the start of each financial year a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full council or equivalent level.

This statutory guidance (first released in 2008/09 and revised in 2012) also gave Authorities the flexibility of using one of four options, to calculate a prudent level of MRP.

The four MRP options available are:

- Option 1: Regulatory Method (also known as the Existing practice method)
- Option 2: CFR Method
- **Option 3: Asset Life Method**
- Option 4: Depreciation Method

Options 1 and 2 were intended only for Government-supported borrowing and these options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

Options 3 and 4 were meant to be used for all self-financed borrowing.

The Asset Life method has been adopted by the Police and Crime Commissioner for Sussex. This method provides for debt repayment over the life of the asset that has been funded from the borrowing.

The Police and Crime Commissioner approves **an MRP Statement** in advance of each year.

The annual MRP statement indicates how the Police and Crime Commissioner intends to discharge their duty to make a prudent amount of MRP in the forthcoming financial year. A prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

APPENDIX C (continued)

The PCC approves the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR (option 2)

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

This option provides for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual PFI or finance leases are applied as MRP.

The MRP statement to 2021/22

	2019/20 £'000	2020/21 £'000	2021/22 £'000
Prudential Borrowing			
Cumulative Debt Outstanding at 31 March	4,500	4,500	10,485
MRP - Debt Outstanding	130	130	130
MRP - PFI	500	389	651
MRP - Finance Lease	26	28	30
MRP - External Borrowing			315
MRP - Internal Borrowing		60	60
Total MRP	656	607	1,186

APPENDIX D (RESERVES POLICY)

Reserve	Level or Target	
Funding for planned expenditure on projects and programmes over the period of the current MTFS:		
Capital and Investment Reserve	To support planned one-off and non-recurring investments of a capital and revenue nature. Change management initiatives providing support for implementing cost-saving initiatives. Financing asset replacement plans and commitments.	In line with investment and replacement plans included within MTFF and dependant on financing requirements of the Capital Strategy. Funded from: approved in year revenue budget surplus; transfers from other reserves; specific approved contributions.
Delegated Budget Holder Reserve	Under and overspendings on the PCC's and Chief Constable's revenue budgets are managed via this reserve in accordance with the PCC's carry-forward policy.	Agreed annually by the PCC as part of the final outturn.
Capital Receipts Reserve	This reserve holds the proceeds from the sale of assets and can only be used for financing capital expenditure in accordance with regulations.	Receipts from the sale of assets are taken to this reserve.
Local Policing Transition Support Reserve	This reserve was created following a Balance Sheet review during the 2017/18 year by reallocating existing earmarked reserves no longer required for their original purpose, plus an additional £2m contribution from the 2017/18 forecast underspend. Specific use of this reserve will be to smooth the impact of changes to the revenue budget to strengthen local policing. This will be fully utilised during 2021/22.	Specific reserve set up during 2017/18 to be released over the MTFS period.
COVID Reserve	To mitigate The Pandemic and the financial impacts both known, and unknown have confirmed our need for resilient finance and a sustainable financial plan. The reserve has therefore been created to offer a cash buffer for any expenditure over and above the existing budgets to support the response to the pandemic and collection fund deficits.	Funded
Funding for specific projects and programmes beyond the current MTFS planning period:		
Asset Seizure Reserve	Balance of Proceeds of Crime Act (POCA) income received but not spent during the year to be used in accordance with Home Office guidance.	Target level of 12 months costs of financial investigators.
Sussex Safer Road Partnership (SSRP)	Balance of funding for the Sussex Safer Roads Partnership. This reserve can be used to finance capital or revenue expenditure. The level of this reserve may fluctuate year on year as under-spends are transferred in. However, £1.2m is ring-fenced so that if the Partnership is dissolved, there are sufficient funds to cover one year of running and decommissioning costs. This reserve belongs to the SSRP Partnership and any funds remaining will be returned to the contributing partners on a pro rata basis.	Transfer of any SSRP under-spend at the end of the year to reserves.

APPENDIX D (continued)

General contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management:		
General Reserve	<p>Provides a working balance to cover day to day cash flow requirements and to cover exceptional unforeseen financial and operational risks. The target level of the reserve is reviewed as part of the annual budget setting process.</p> <p>1% is available to the Chief Constable for operational priorities without the need for additional approval, subject to financial regulations.</p>	4% of Net Revenue Expenditure Budget as at 31 March each year.
Insurance Reserve	<p>Provides for the self-funding of certain uninsurable risks, such as payments of compensation or damages and claims up to the excess level. This Reserve is funded from revenue or transfers from other reserves and adjusted annually, following an independent actuarial review, to reflect inflation and up to date risk management information.</p> <p>To improve consistency in funding claims, there is a need to split claims between a provision on the balance sheet for the cost of claims received and outstanding; and funds held in the reserve to cover claims incurred but not received or quantified. Claims that have been reported and assessed as more likely to be settled are carried as a financial provision whilst known incidents where no claim has yet been made, are covered by the insurance reserve. The revenue account is used to meet any in-year liabilities if they arise. Any year-end variance in the revenue claims budget will not normally be met from or transferred to the general budget, but transferred to/from the insurance Reserve. The level of the reserve is reviewed annually.</p>	Assessed as part of the annual insurance actuarial review.

APPENDIX E (TAX BASE AND LEVY 2021/22)

The Tax Base for the year 2021/22 is the aggregate of the amounts tax bases calculated by the billing authorities to which the Police & Crime Commissioner for Sussex issues precepts totalling. This totals **627,771.2 for band D equivalents** as set out in the table below. The basic amount of Council Tax (Police Precept) is the budget requirement less the amounts receivable from other funding sources, all divided by the tax base. For 2021/22 this shall be **£214.91** to the nearest penny, for band D properties. The amounts per band are as follows:

Valuation Band	Amount
A	£143.27
B	£167.15
C	£191.03
D	£214.91
E	£262.67
F	£310.43
G	£358.18
H	£429.82

The amount of Council Tax payable for dwellings listed in a particular valuation band, calculated in accordance with the proportions set out in Section 5(1) of the Act, shall be as follows (shown to the nearest penny).

	Tax Base	Precept Due 2021/22	Surplus/(deficit) from prior year	Total Payments Due to Sussex Police
West Sussex				
Adur	21,232.80	4,563,141.05	(36,248.00)	4,526,893.05
Arun	62,628.00	13,459,383.48	(156,665.67)	13,302,717.81
Chichester	53,983.80	11,601,658.46	(122,872.36)	11,478,786.10
Crawley	34,961.90	7,513,661.93	(62,403.40)	7,451,258.53
Horsham	63,115.10	13,564,066.14	11,452.00	13,575,518.14
Mid Sussex	62,223.80	13,372,516.86	136,710.00	13,509,226.86
Worthing	39,131.00	8,409,643.21	7,414.00	8,417,057.21
East Sussex				
Eastbourne	34,532.20	7,421,315.10	15,945.98	7,437,261.08
Hastings	25,722.00	5,527,915.02	42,045.00	5,569,960.02
Lewes	36,711.40	7,889,646.97	75,405.39	7,965,052.36
Rother	37,606.60	8,082,034.41	(39,454.00)	8,042,580.41
Wealden	66,429.60	14,276,385.34	18,631.00	14,295,016.34
Brighton & Hove	89,493.00	19,232,940.63	(237,275.00)	18,995,665.63
Total	627,771.20	134,914,308.59	(347,315.05)	134,566,993.54

This table shows that the Brighton and Hove Council and the district and borough councils be requested to make payments of sums totalling **£134,914,308.59** due under precepts calculated in proportion to their Council Tax Band D equivalents. In addition surpluses and deficits on collection funds will be collected/paid, to the net total value of **£347,315.05**.

APPENDIX E (continued)

These payments will be made on the following schedule:

2021/22 Precept payment dates

	B&H (Wed & Fri)	ALL CONFIRMED ESCC	WSCC
Payment 1	Wed, 14 Apr 2021	Wed, 14 Apr 2021	Tue, 06 Apr 2021
Payment 2	Fri, 21 May 2021	Fri, 21 May 2021	Wed, 05 May 2021
Payment 3	Wed, 30 Jun 2021	Tue, 29 Jun 2021	Mon, 07 Jun 2021
Payment 4	N/A	N/A	Mon, 05 Jul 2021
Payment 5	Wed, 04 Aug 2021	Wed, 04 Aug 2021	Thu, 05 Aug 2021
Payment 6	Fri, 10 Sep 2021	Fri, 10 Sep 2021	Mon, 06 Sep 2021
Payment 7	Fri, 15 Oct 2021	Fri, 15 Oct 2021	Tue, 05 Oct 2021
Payment 8	Wed, 24 Nov 2021	Tue, 23 Nov 2021	Fri, 05 Nov 2021
Payment 9	N/A	N/A	Mon, 06 Dec 2021
Payment 10	Wed, 05 Jan 2022	Tue, 04 Jan 2022	Wed, 05 Jan 2022
Payment 11	Wed, 09 Feb 2022	Tue, 08 Feb 2022	Mon, 07 Feb 2022
Payment 12	Wed, 16 Mar 2022	Wed, 16 Mar 2022	Mon, 07 Mar 2022

APPENDIX F (LETTER FROM THE CHAIR OF THE PCP CONFIRMING PRECEPT DECISION)



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Chichester
West Sussex
PO19 1RQ
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Bill Bentley
Chairman
Sussex Police and Crime Panel

First Class Post
Office of the Sussex Police and Crime
Commissioner
Sackville House
Brookes Close
Lewes
East Sussex
BN7 2FZ

2 February 2021

Re: Proposed Precept 2021/22

Dear Commissioner,

The proposed policing precept was considered at the meeting of Sussex Police and Crime Panel on 29 January 2021.

I am writing to confirm that the Panel supported, by a majority of votes, the proposed precept of £214.91 (on a Band D property), an increase of £15 (equivalent to 7.5%).

We look forward to considering your annual report in the summer.

With best wishes,

Councillor Bill Bentley
Chairman, Sussex Police and Crime Panel
