REPORT TO THE NORFOLK POLICE AND CRIME PANEL
1 FEBRUARY 2022

PROPOSED PRECEPT FOR 2022/23

Executive Summary

This report outlines the budget and financial impact of the 2022/23 precept option upon which the Police and Crime Commissioner (PCC) has consulted:

- **To increase council tax by 3.59% per annum at Band D (£9.99).**

NB Increases of £10.00 or more would trigger a local referendum.

The report also sets out the Medium Term Financial Plan (MTFP) 2022/23 to 2025/26 including the Capital Programme, together with various Financial Strategies that must be published by the PCC. A high-level summary of the precept option is set out in the table below. See Appendix B (i) for more detail.

Increase Council Tax by 3.59% per annum (£9.99)

3.59% (£9.99) Council Tax increase - Year 1	Budget 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000
Total Funding (Grant + Precept)	(193,756)	(195,399)	(197,981)	(198,876)
Net Revenue Budget before changes and savings	184,829	191,134	195,097	199,072
REVENUE DEFICIT BEFORE KNOWN CHANGES	**(8,926)**	**(4,264)**	**(2,883)**	**196**
Known / Expected Changes	10,430	14,953	15,688	15,184
Planned use of reserves	827	(4,161)	(1,390)	(481)
REVENUE DEFICIT BEFORE SAVINGS	**2,330**	**6,528**	**11,415**	**14,899**
Planned Savings	(2,330)	(3,452)	(5,203)	(5,188)
Savings to be identified	0	(3,076)	(6,212)	(9,711)
REVENUE DEFICIT/(SURPLUS) AFTER SAVINGS	**0**	**0**	**0**	**0**

Through both the Beating Crime Plan and the National Policing Measures, the Government has placed a priority on all police forces to respond to growing concerns about rape, serious sexual assault, domestic abuse and violence against women and girls. This is an area of police capability that needs additional resources to improve services and meet growing demand. Over 20% of all crimes recorded by Norfolk Constabulary concern domestic abuse and this is the main cause of rising violent crime throughout the County.

Of 21 new officer and staff posts proposed for the next financial year, 19 of them would work in this area. It is of huge concern to me and to the Chief Constable that sexual assault and domestic abuse are areas of significant growth in demand for the constabulary. It is imperative that we do our utmost to support victims of these crimes and bring perpetrators to justice.

Based on the information provided by the Chief Constable, I propose to increase the police precept by 3.59% in order to maintain current levels of the policing service and to tackle the new challenges that the police are faced with going forward. A 3.59% rise represents £9.99 a year or 19 pence per week for a Band D property and £7.77 or 15 pence per week for a Band B property.

Recommendation

It is recommended that the Police and Crime Panel:

a) notes the Revenue Budget and Capital Programme for 2022/23, the Medium Term Financial Plan 2022/23 to 2025/26 and the funding and financial strategies, and

b) endorses the Police and Crime Commissioner's proposed precept increase of 3.59% for 2022/23.

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Introduction from the PCC

In May last year I was elected to serve as Norfolk's Police and Crime Commissioner (PCC). The role of PCC carries several responsibilities and one of them is to decide how much we all pay as the police precept of council tax. The decision whether to increase the precept is not one I take lightly.

We live in an increasingly complex world, with growing demands on our time and what can feel like continual challenges to our ability to get on with our daily lives. I imagine though, that we all share the aspiration to be able to go about our business in safety and to feel secure in our homes and communities.

Effective and efficient policing is at the core of keeping us all safe in Norfolk and ensuring this is achieved is the heart of my role as PCC and that of the Constabulary's Chief Constable.

By way of context, Norfolk Constabulary's budget had to find savings of £40M per annum or 20% over the ten years of Austerity. The Constabulary's budget today is, in real terms, over £6M less than it was in 2010.With other legislative cost pressures and with modern crime being more expensive to investigate, the budget is closer to being £20m below that 2010 level. I would argue that the cuts went too far and that the Constabulary is under resourced to meet the demands now made of it by both the government and the public. This is why the current government has been building back police capabilities, most notably by recruiting 20,000 additional officers nationwide.

The last year saw some significant events that placed a particular spotlight on police responses to rape, serious sexual assault, domestic abuse and violence against women and girls. The government is clear, and the people of Norfolk are clear that action must be taken to make our homes and our streets safe for women and girls. However, I also need to sustain Norfolk Constabulary's ability to deal with all other forms of crime, which are growing in complexity, that you will be familiar with in both the rural and the urban areas of our county. The public also want the police to be more visible in the way they do their business, and both I and the Chief Constable are keen to deliver increased visibility.

Funding for Norfolk's police service and the work of the PCC comes from grants received from the Home Office, income from fees and charges and the annual council tax precept that is levied on all households in Norfolk. I work with other PCCs around the country through the Association of Police and Crime Commissioners and with my Chief Finance Officer to try to influence funding to ensure Norfolk Constabulary receives the appropriate level to tackle crime and help keep this a safe county.

The Chancellor in his budget statement on 27 October gave PCC's flexibility to increase the precept by up to £10. Further, the Home Secretary, when she announced an increase to police budgets as part of the government's plan to build back police capabilities, built into her calculations for police funding an expectation that PCCs would raise the precept by this amount.

The Chief Constable and his team have presented a series of funding requests to me that combine the need to maintain the current service being provided as well as some specific enhancements.

Thanks to ongoing efficiency savings and partnership working with our colleagues in Suffolk Constabulary, millions of pounds in savings have been made over the past decade and work continues to find efficiencies. Norfolk Constabulary is a very lean organisation.

However, there are some significant costs in policing. For example, there's a need to review the police estate across the county to ensure we will have police stations where we need them in the future and also to ensure that all our buildings are set up to achieve the government's carbon neutrality targets.

New officers continue to be recruited thanks to the government's Uplift Programme. But once recruited, those officers must be trained and equipped which requires resources that are becoming increasingly expensive.

The government has placed a priority on all police forces to respond to growing concerns about rape, serious sexual assault, domestic abuse and violence against women and girls. This is an area of police capability that needs additional resources. Of 21 new officer and staff posts proposed for the next financial year, 19 of them would work in this area. It is of huge concern to the public, me and the Chief Constable that incidents of sexual assault and domestic abuse are increasing. For example, domestic abuse accounts for 24% of all recorded crimes in Norfolk. It is imperative that we do our utmost to support victims of these crimes and bring perpetrators to justice.

Underpinning all of this is simply the need to maintain officer numbers and deliver services on the front line, something that is crucial to ensuring visible and trusted policing in our communities. As part of this, a small increase in police staff would release a much larger number of officers back to front line duties and so contribute to increased visible policing.

The reality we are faced with is that without an increase to police budgets the constabulary will not be able to maintain either the current level of service or be able to respond to these growths in demand.

Therefore, I propose to increase the police precept by 3.59% in order to maintain current levels of the policing service and to tackle the new challenges that the police are faced with going forward. A 3.59% rise represents £9.99 a year or 19 pence per week for a Band D property and £7.77 or 15 pence per week for a Band B property.

PCC Giles Orpen-Smellie

A view from the Chief Constable

My ambition as Norfolk's new Chief Constable is to provide the exceptional policing all of our communities expect and deserve. This means a focus on protecting our communities and building your trust in us.

To help us deliver against this, we are using central government's Beating Crime Plan and our own Police and Crime Commissioner's forthcoming Police, Crime and Community Safety Plan, to frame how we look at where we need to improve our response and where we need to maintain our delivery. Our mission is to continue to prevent crime and anti-social behaviour, catch criminals and bring them to justice while at the same time providing prompt, professional and accessible service that identifies and investigates crime well, supporting those who are victims of criminal behaviour.

While there have been events over the past year which have stood out to us all, significant concerns around women and girls' safety has become a key focus. We know we need to develop further our response to this and the serious violence such as rape and domestic abuse that often stems from it. We are determined to offer even more support to victims through increased supervision of investigations and a speeding up of the criminal process when bringing offenders to justice. With the exponential increases in reports we are experiencing we need to invest more to ensure we can offer the service the public expects. This will, for instance, give us the ability to invest in supervisory resources to ensure our investigation standards into serious violence enquiries are at the standard you require. We will also invest in our capability to download information from victim's phones within 24 hours which will help to give us quicker leads to solve such serious crimes.

Both of these examples underline how important it is to us to bring as many perpetrators of serious violence to justice and without investment we will not have enough effective capacity to do this.

Our local policing teams continue to work with their communities to understand and resolve those issues which are important to you. Maintaining visibility, despite increasing demand, will mean we need additional officers to provide activities such as police patrols using the Street Safe tool and other policing data, without the need to abstract from our busy frontline. We have been using the funding provided through the Uplift programme but this will not give us all that we need.

In addition, our Adder Team, working alongside partners in public health and third sector agencies, also continue to work to target drug supply and protect those who are vulnerable and at risk of criminal exploitation. This is something the force wants to do more of, invest in the prevention of crime, rather than only focus on the outcome. Prevention of the suffering crime brings must surely be a better alternative to only responding when the crime occurs.

Finally, we know how important that first contact is with us. We have put in place extra call takers and invested in technology and other resources to take us further along the route of providing this but there is still more to do.

With inflation at over 4% and rising, we have all seen our costs increase and policing is no different. We are making further savings but the rising costs of services will put on further pressure. We have asked the Police and Crime Commissioner to consider raising the precept to the maximum so that we can deliver the service you expect and need.

We need £2.4million just to stand still and meet current demands. But with a growing population and demands increasing, further investment is needed to be able to match last years' level of service.

To provide a scalable, adaptable policing model which is capable of facing the demands of modern policing and is fit for the future, we need to, as many of our county partners and regional colleagues are doing, ask for that little bit more.

We don't know what the pandemic or other challenges may bring, but we remain determined to keep you safe and to target those who threaten our communities.

A precept increase, equal to 15 pence per week for a Band B property or 19 pence per week at Band D, will allow us to maintain and invest in our current levels of service and continue to tackle whatever may be just around the corner.

CC Paul Sanford

1. Background

1.1 The decision on the level of the precept/council tax, the Revenue Budget and Capital Programme needs to be seen in the context of the funding envelope (the total of the precept and government grant), and the pressures on the policing service, for example the changing nature of crime, increasing demand, more complex investigations and other unavoidable cost pressures such as inflation (pay and non-pay).

1.2 This year the budget setting process has aligned with the period that the newly elected Police and Crime Commissioner (PCC) has been consulting on his new Police, Crime and Community Safety Plan (PCCSP) 2022-2024, and the medium-term financial plan (MTFP) considers the Police and Crime Priorities within that plan. The new PCCSP has six pillars and is underpinned by prudent budgeting and financial planning alongside ethics and standards in policing. Sustain Norfolk Constabulary is one of the pillars and this includes gaining best value from Constabulary and OPCCN funding.

1.3 The PCC has been involved with the budget setting process since his appointment with briefings on the financial position both during his induction into the role and as the year has progressed. The PCC undertook a series of workshops with key members of OPCCN and the Constabulary as part of the Outcome Based budgeting process (OBB). The workshops enabled the PCC to explore several options and the impact of potential financial decisions. The precept decision was drawn out of this process.

1.4 The decision on precept must also be seen, not as a one-off decision in relation to next year, but as part of a strategy in relation to the changing demands on policing over the medium to long-term. That position is even more relevant this year, following the 3-year Spending Review (SR) announced by the Chancellor on the 27th October 2021, that allows for a more informed financial planning horizon over the first three years of the MTFP.

1.5 The precept options and budget proposals within this report are made within the context of a rolling four year strategic and financial planning cycle. The figures contained within the strategy are based upon current information and the stated assumptions.

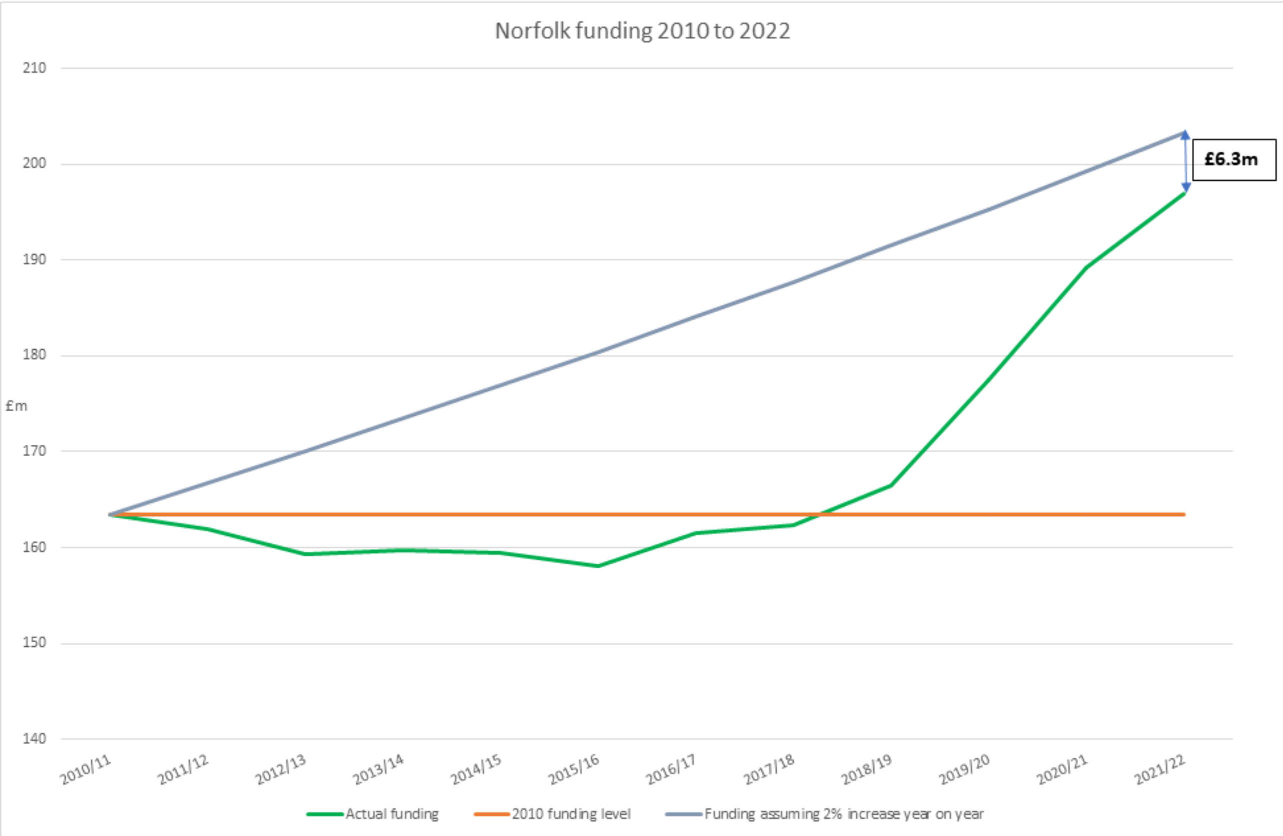
1.6 In accordance with the requirements of the Police and Crime Panel (Precepts and Chief Constable Appointments) Regulations 2012, a precept is proposed for 2022/23.

2. The Funding Context

2.1 The police service has been through over 10 years of austerity, although it is recognised that the settlements since 2019/20 have helped to bridge some of the impact. The graph below shows the amount of cash received by Norfolk Constabulary from the main Home Office grant, precept from households in Norfolk, plus all specific grants. Cash levels only exceeded those of 2010/11 for the first time in 2018/19. The blue line represents the amount of money the force would have received if their grants and precept had risen broadly in line with inflation of 2% each year.

2.2 This shows that the force has absorbed significant amounts of inflation over that time and as of 2021/22 still has £6.3m less than 2010 in real terms. When you add the impact of other statutory and legislative changes that have increased costs to the organisation (e.g. increases to National Insurance, Pensions and Insurance tax) that amount to around £10m a year, and further add in the changing nature of crime that requires more expensive investigations and more kit and equipment with an annual refresh of around £4m a year it can be seen the amount the force has absorbed is even higher totalling circa £20m a year.

2.3 Every year, cashable savings and efficiencies have been identified. The savings help to finance the demand pressures, cover inflation costs and balance the budget. By the 31st March 2021 the Constabulary will have made savings of over £40m from their annual budgets.



Impact of Covid 19 and Spending Review 2021

2.4 Covid 19 has had a major impact on everyone's lives within the United Kingdom, as well as on every sector of the economy. Following the first lockdown on the 23rd March 2020, the country went through a series of further lockdowns and restrictions for over a year that have now been able to be reduced due to the success of the vaccination programme. However, at the point of writing there is still some concern about what the winter will bring in terms of demand on the NHS particularly with the emergence of the Omicron variant.

2.5 Clearly the pandemic has had a massive impact on the economy with GDP for 2020 falling by 9.9%, the largest annual fall in 300 years, and with peacetime borrowing levels at their highest ever level.

2.6 As part of the Chancellor's Autumn Budget on 27th October 2021, he announced a 3-year Spending Review (SR21) for government departments including the Home Office. The budget and SR21 outlined the government's response to the recovery from the pandemic and a period of significant uncertainty. The resulting funding impact for Norfolk PCC and Constabulary is set out in the rest of this document.

2.7 However, while the settlement for Norfolk is relatively positive for 2022/23, and a 3 year settlement for the Home Office has been outlined, it is clear that challenging times continue in the medium-term due to the requirement to fund pay and non-pay inflation, tackle increasing demand on policing, and the increasing complexity and cost of investigations, and manage pressures from other local, regional and national programmes and statutory changes. With the government targets on increasing police officer numbers and maintaining them through to at least 2024/25, savings requirements will have to be met from a much smaller proportion of our budget that excludes officer pay.

2.8 It is critical therefore, that the plans set out in this report ensure that the budget is not only balanced for 2022/23, but that there is financial resilience in terms of planned spending and reserve levels over the medium-term.

3. Grant Settlement

3.1 In recent years government has only issued one-year funding settlements for PCCs, and force-by-force provisional detailed grant announcements are normally made in December for funding commencing the following April. This creates a challenging planning environment.

3.2 This year, as outlined previously in this report, the Chancellor announced a 3-year spending review known as SR21. This confirmed the continuation of funding for the recruitment of 20,000 additional officers for England and Wales (the Police Uplift Programme or PUP). Nationally, £550m of funding has been made available for 2022/23 to recruit another 8,000 officers (in addition to the first 12,000 officers recruited in the first two years of the programme).

3.3 The detailed force-by-force announcement was made on 16th December 2021 and at this point only provides the detailed provisional funding for 2022/23, the first year of SR21. The Policing Minister's Written Ministerial Statement provides detail about Norfolk's increased share of grant funding and this equates to £5.8m (see the table below). This funding needs to cover the cost of the Uplift officers, plus funding for the middle and back office functions that are required to support the growing front line, as well as providing for the kit, equipment and estates provision that the officers need.

3.4 The table below provides a comparison between the 2022/23 grant settlement and 2021/22 figures.

	2021/22	2022/23	Variance	
	£000	£000	£000	%
Police Core Grant	90,864	96,298	5,434	5.98%
Ringfenced Grant (Uplift)	1,119	1,510	391	34.94%
Legacy Council Tax Grants	9,305	9,305	0	0%
Total all Grants	**101,288**	**107,113**	**5,825**	**5.75%**

3.5 In addition to the general grant funding outlined above, a specific grant of £1.564m is to be received to cover an element of the increased employer contributions for the police officer pension schemes and has been maintained at this level for the last four years.

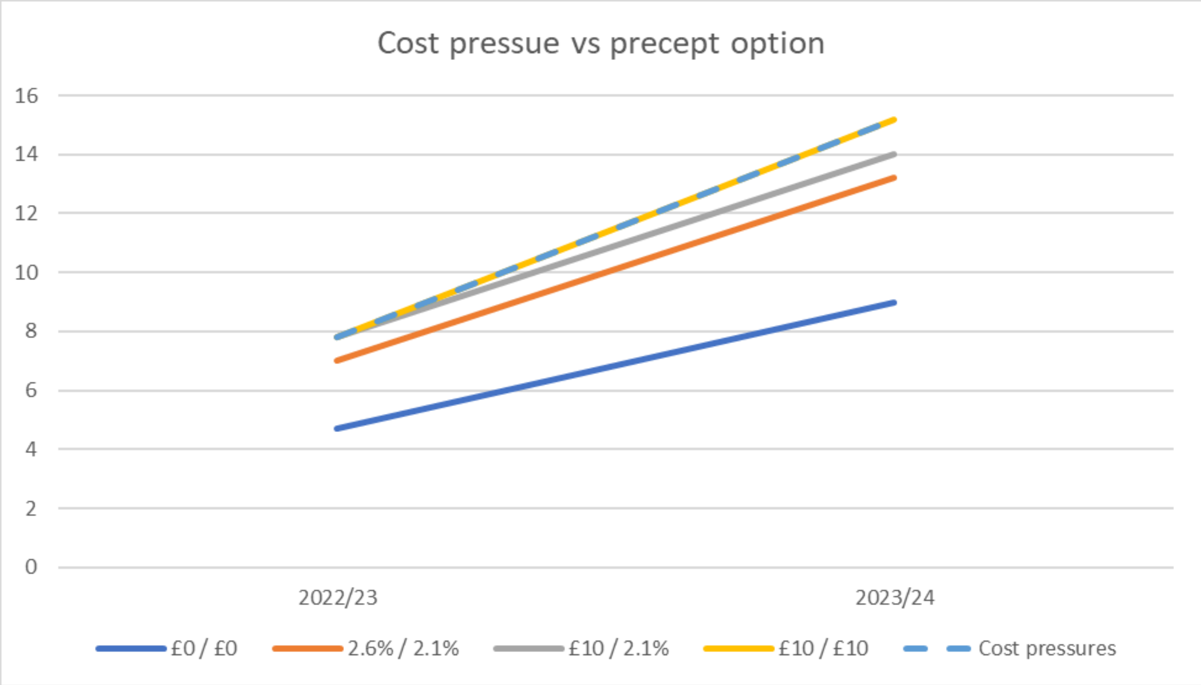
3.6 The Written Ministerial Statement that set out the provisional settlement for forces also outlined a number of policing priorities. These include improvements of outcomes for victims of rape and serious sexual assault, tackling organised crime, drugs supply, and other high harm offences. The PCC and Chief Constable are committed to supporting these priorities, and the proposals for investment included in this report are consistent with those aims and relevant to local needs.

3.7 In the statement the government is also clear that policing must continue to focus on improving efficiency and productivity, so that it can be shown to local communities that forces are getting the most out of the increases in funding. This report outlines continued investment in improving efficiency, productivity and outcomes. This is achieved through the delivery of the savings programme, the updated investments in the capital programme, and areas of revenue investment from grant and precept.

3.8 The Policing Minister also confirmed “that PCCs will be empowered to raise additional funding through precept flexibility. We propose to enable PCCs to increase their Band D precept by up to £10 in each of the next three years without the need to call for a local referendum, the equivalent of less than £1 per month”. Therefore, this report includes, for modelling purposes, £9.99 precept increase for years two and three of the medium-term plan. As precept limits are not known for 2025/26 the fourth year of the plan assumes a 0% increase. Precept for each of the future years of the plan will be subject to public consultation as required by statute.

3.9 As funding for the Home Office and policing nationally has been provided for years two and three of the SR period, this budget report includes informed assumptions about grant in those years. From a prudent basis, the fourth year of the plan assumes “cash flat” central grant funding.

3.10 Informed and prudent assumptions have therefore been included in future years, and due to the impact of inflation (including an assumption of 3% pay rise in 2022/23 and 2% thereafter) and the full year impact of cost pressures, efficiency savings are required in each year of the plan. It should be noted that on current assumptions, if precept of £10 per year is not raised each year of the SR period, then there would have to be cuts to service in those years to balance the budget and this is demonstrated in the chart below.



3.11 In 2025/26, due to the return to assumptions of cash flat grant and 0% precept, a deficit is shown in the last year of the plan. Contingency plans would need to be made to understand how costs could be reduced to meet that deficit, while at the same time working with the Home Office to secure another positive Spending Review outcome in the future.

Grant damping and the Police Funding Formula

3.12 A review of the Police Funding Formula is underway and is due to make recommendations to the Home Office in 2022 for potential application in a new parliamentary term. As a result, there were no changes to grant damping for 2022/23 and all PCCs' core Home Office grant funding has increased by 5.98% compared to 2021/22.

4. Council Tax Income

4.1 District Councils calculate the number of dwellings on which council tax can be levied and estimate the collection rate. Variations between actual and estimated income accrue in the District Council collection funds. A surplus or deficit on the collection fund is allocated between the District Council, the County Council and the PCC in proportion to their share of the Band D council tax. In recent years there has been an overall surplus on the collection fund, with the exception of 2021/22 where the impact of the pandemic on the economy did result in a deficit.

4.2 As a result of the vaccination programme enabling the economy to recover, housing growth has picked up during 2021/22, is better than estimated in the previous medium-term financial plan. and the taxbase has grown by 1.38%. This is forecast to continue at a similar level for the duration of the plan.

4.3 63% of properties in Norfolk are in Bands A to C, i.e. below Band D.

5. Medium Term Financial Plan (MTFP)

5.1 The budget and MTFP are constructed as follows: -

- The base 2021/22 budget (funding current activity) is rolled forward and repriced for inflationary pressures. The full year effect of any 2021/22 part year initiatives / change programmes is added. (See the line 'Deficit / Surplus before Known Changes' in the tables in the Executive Summary and on page 22).
- Known / Expected Changes are then added. These include the impact of statutory changes (e.g. pension contributions), investments as a result of increased grant and / or precept, service developments (other unavoidable base budget pressures), capital financing costs (of the revised capital programme) and finally any growth required as a result of the strategic financial planning process.
- Use of reserves is then considered. Typically, they will be used to finance short-life capital assets (over and above the budget provision), temporary revenue costs and invest to save initiatives.
- This results in a sub total - Revenue Deficit Before Savings
- Finally, the savings identified as part of the planning process are included to balance the budget.

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

5.3 The following financial planning assumptions have been used.

	Budget 2022/23	**Forecast 2023/24**	**Forecast 2024/25**	**Forecast 2025/26**
Police main grant change	5.98%	1.17%	1.74%	0%
Legacy council tax grants change	0%	0%	0%	0%
Council taxbase change	1.38%	1%	1%	1%
Collection fund surplus	£0.365m	0	0	0
Pay awards - officers	3%	2%	2%	2%
Pay awards - staff	3%	2%	2%	2%
Non-pay inflation (average)	4%	2.6%	2.1%	2%

5.4 Following the Spending Review announcement, it was confirmed that public sector pay increases could recommence. Therefore, prudent assumptions have been included for each year of the MTFP as shown above. Non-pay inflation has seen recent increases arising from a number of pressures both globally and nationally and the same assumptions have been used as per the government's Spending Review report.

5.5 With the development and roll out of the vaccination programme, the economy has been able to improve quicker than anticipated at the time of last year's report and therefore the taxbase position and forecast for all years is improved against the previous MTFP. In addition, the forecast collection fund deficits in the previous report are removed as the collecting authorities position now outlines a surplus for 2022/23.

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

	Variation	**Variation**
		£m
Main Government grants	1.0%	0.963
Legacy council tax grants	1.0%	0.093
Tax base increase	1.0%	0.836
Precept	1.0%	0.836
Pay awards officers (full year impact)	1.0%	1.026
Pay awards staff (full year impact)	1.0%	0.512
Non-pay inflation	1.0%	0.400

The Service and Financial Planning Process

5.7 Since 2010, in response to the challenging financial situation as set out in section 2, the Constabulary has been running a successful Change Programme which will have delivered £40m (to 31 March 2022) since its inception. A significant element of that programme has been delivered through collaboration with Suffolk Constabulary.

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

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

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

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

5.12 The 3-year Spending Review has provided an indicative settlement for that period of time, allowing for an improved planning horizon. Alongside the drive for increasing productivity and efficiency, it is clear that the Constabulary Change Programme will need to be sustained over the medium-term so that efficiency gains can be driven out to help contribute to the funding of inflation and other cost pressures. The Programme will need to be delivered in a timely fashion to ensure budgets are balanced and reserves levels are kept within proportionate levels in accordance with the Reserve Strategy.

5.13 As part of the Change Programme, and jointly with Suffolk, thematic and cross cutting initiatives are being developed around process maturity, exploitation of existing technology, and investments in new technologies (e.g., automation) to lever out cashable and non-cashable efficiencies over the life of the plan.

5.14 The OPCCN has continued to undertake a review of its budgets. The budget has increased to cover inflationary pressures and to ensure that the staffing levels and the non-pay budget for 2022/23 enables the PCC to discharge his duties. This budget will support the PCC and the office in delivering the new Police, Crime and Community Safety Plan. The total budget is £2.527m. The OPCCN core budget (excluding commissioning services and the PCC costs) is £1.384m for 2022/23.

5.15 The PCC is awaiting the outcome of the PCC review and any new legislation that follows. If this involves transfer of services, it is hoped that funding will accompany any changes. However, a budget has been included for a deputy PCC in future years in the MTFP to ensure this part of new regulation can be implemented once set out in statute.

5.16 After several key national issues in the year there is more demand for preventative services, and funding bids submitted by the Commissioning team have for a further year increased the grant funding into the OPCCN as follows: -

Fund	District	2021/22
Home Office - Safer Streets Fund 3	All	£461,896
Home Office - New IDVA funding	Breckland, Kings Lynn, North Norfolk, 1xVA all	£173,258
Home Office - Sexual Violence Fund	All	£119,200
Home Office - Provision of SV/DA Uplift	SV-All, DA-Broadland, Gt Yarmouth, Norwich, South Norfolk	£171,412
National Probation Service	Norwich	£17,500
Public Health - Project ADDER/Pathway out	All	£30,000
DWP - Project ADDER/Pathway out	All	£35,000
Public Health Project ADDER – WONDER+	All	£45,000
TOTAL SECURED		**£1,053,266**

5.17 This year has also seen the launch of the Norfolk Integrated Domestic Abuse Service (NIDAS). The new service is funded by the **Office of the Police and Crime Commissioner** for Norfolk, Norfolk County Council, Norwich City Council, South Norfolk and Broadland District Councils, and will be delivered in partnership by Leeway Domestic Violence & Abuse Services, Daisy Programme, Orwell Housing, Pandora Project and Safe Partnership. This has been a major piece of work for the Commissioning Team to deliver.

5.18 The Police, Crime and Community Safety Plan will have the new Commissioning Strategy sitting alongside and funding will be utilised from external funding and the reserves to deliver its objectives over the life of the plan.

Service and Funding Pressures

A. Rising and Changing Demand for the Constabulary

5.19 Whilst Norfolk remains a very safe county, the Constabulary is dealing with continuing increases in reports of domestic abuse, rape and serious sexual offences, adult and child abuse and allegations of cyber enabled fraud. These are some of the most complex and demanding investigations the service has to undertake, and they require a highly skilled workforce. Norfolk has seen year-on-year increases in serious sexual offences (11.5%) and serious violence (11.6% increase in GBH and 5.4% increase in knife crime). Domestic abuse crimes continue to increase (6.1%) and make up 20% of crimes recorded by the force[1]. Nearly all of these areas of increasing demand relate to crimes that occur behind closed doors and in family settings. They require sensitive investigation, but the Constabulary has a determination to identify these offences and bring offenders to justice.

5.20 The pandemic has had a significant impact on police demand. Summer demand in 2021 started earlier than normal (mid-May) and remained at similar levels through to the end of October (a pre-pandemic summer demand period usually starts in June and finishes early September). The Constabulary had to manage the increase in complex criminality such as domestic abuse and stalking and harassment, alongside the additional expected demand the county experiences over the summer months.

5.21 Impacted by the pandemic this year, demand has changed in the way it comes in to the police. On average, 200 999 calls are being received a day[2]. This is 23% higher than the 999 demand five years ago and equates to 13,000 extra calls a year. The number of calls received into the switchboard (101 service) for the last 12 months to November 2021 has reduced by 14% compared to the same time period last year. This equates to 41,000 fewer calls a year. Despite the reduction, 246,565 calls were still made to the police over the last 12 months. Whilst the pandemic altered demand significantly, the Constabulary has invested in improved website services and switchboard functions. The Department for Local Policing continue to be engaged in the demand management review with a focus on the Contact and Control Room and the management of volume crime.

[1] Percentages taken from the National Police and Crime Measures dashboard

[2] Data taken from the call trend data presented to the Chief Officers at the Horizon day in November 2021

5.22 The National Uplift Programme continues with police officers being deployed in areas of highest demand. In addition to the County Lines team that was set up last year, a new Community Policing Team went operational in December 2021. The team supports local policing through, high visibility patrols, the management of problem-solving plans and assisting with engagement events and other community initiatives. The team compliments the work being done by neighbourhood teams to manage demand in the community and, working with partners, find long-lasting solutions to the problems identified in local areas.

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

5.24 The work on the new Broadland Police station, the sister station to Swaffham, continues at pace. Construction has started, with the station projected to be completed in late 2022. In a similar vein to the Swaffham station, this will see teams from across the county brought back together, alongside the specialist resources to be able to tackle the threat in the most efficient and effective way. The introduction of the new stations enables immediate savings to be made in terms of supervision costs, and will allow the wider estate to be rationalised, delivering further savings over the medium to long term.

5.25 With the increase in demand of complex investigations, developing the capability of the workforce is an organisational priority. The constabulary has also made significant investment to get ready for the introduction of the Police Education Qualification Framework (PEQF) and the Police Constable Degree Apprenticeship (PCDA) that will see benefits delivered in terms of equipping students with increased levels of skills before they start their careers.

5.26 To this end, work continues on the Hethersett Old Hall Professional Development Centre. Most areas of the site are now open and being used, including student training areas, a conference centre and will shortly see the introduction of a mock custody suite. The development of the training centre provides facilities for the growing number of officer recruits through the National Uplift programme and provides the potential for other forces and partners to use the facilities – generating income for the Constabulary.

5.27 The expected increase in population in Norfolk, notably in the Greater Norwich area through the Greater Norwich Development Plan, will have an impact on future demand and requires planning for additional infrastructure for the Constabulary. The viability of a new police station to the North of Norwich is being considered to serve the area, helping to keep the public safe and ensure officers can police a larger population. In addition to this, the Constabulary is developing its estate strategy to meet the carbon management targets set out by Government. The investment in training facilities and consideration of a new police station highlights the forward thinking the force is taking to ensure it can meet the emerging and rising demand and serve the communities of Norfolk for years to come.

B1. Pensions – employer contributions

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

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

5.30 Until 2015/16 the Her Majesty's Treasury (HMT) fully funded this "gap" by funding employer contributions through the main police grant, and by providing an additional top-up grant. Therefore, there was no funding required from precept. Since 2015/16 the Treasury has passed an increasing element of this gap on to PCCs, by increasing employer contributions by 9.7% without providing any additional funding for this increase (equating to about £6.5m cost pressure for Norfolk).

5.31 To relieve an element of this pressure HMT provide a grant to Norfolk of £1.564m. This grant has been rolled over for the last 4 years and is now expected to be maintained at this level for the life of the plan**.**

5.32 Further pressures connected to pensions are outlined in the section below.

B2. Pensions – Discount rate

5.33 HMT has recently consulted on the discount rate methodology for Public Service Pensions. The discount rate is a technical pensions issue, but one that has significant impact on the required employer contribution rate.

5.34 The consultation highlighted that in line with a more pessimistic economic forecast in 2020 the discount rate point would reduce from 2.4% to 1.8% (since 2016 it had already reduced from 3.0% to 2.4%). HMT go onto exemplify that a 0.25% reduction would serve to increase employer contribution rate by up to 11.0% depending on the workforce profile of the scheme. Therefore, on the basis that the discount methodology is unchanged (and alternative models were included in the consultation), the suggested 0.6% reduction would serve to increase the employer contribution rate by up to 26%, that is from 31% to 57%. If all of this was passed onto forces (see section B1 above) then clearly this is not a sustainable position for police funding nationally – for Norfolk this would be in the region of £17m additional cost.

5.35 The on-going pension valuation, that will incorporate an assessment of the discount rate, is due to be implemented in 2024/25. As mentioned above, the risk of a dramatic impact of on UK Police finances has been highlighted in the consultation response, and the Spending Review submission and a letter from the NPCC to the Home Office and Policing Minister. Clearly, such an increase would make the ongoing sustainability of the Uplift programme impossible and would therefore be at odds with government policy. Currently there is no assumption included in the MTFP, as the amount is unknown, could in theory vary between £0 and £17m, and is subject to consultation and / or a change in the discount model.

B3. Pensions - McCloud and Sargeant Judgement, and the Aaron's case.

5.36 In 2015, the police pension scheme was reformed to provide defined benefits on a career average (CARE) basis instead of a final salary basis. Under the 2015 Regulations, those within 10 years of their scheme's normal pension age were given 'full' transitional protection (they were allowed to remain in their current scheme), and those 10-14 years from normal retirement age were given 'tapered' transitional protection (they moved to the new 2015 scheme, but at a later date than those members who were not afforded transitional protection). All other ('unprotected') members moved to the CARE scheme from 1 April 2015.

5.37 As a result of the above, 74 claims were lodged against Norfolk Constabulary (and the Home Secretary) by police officers represented by Leigh Day in respect of alleged unlawful discrimination. Similar claims have been lodged against all forces in the UK (together, known as the Aarons case).

5.38 The Aarons case had previously been stayed pending the McCloud / Sargeant judgement (re firefighters and judges), in which the Court determined that the full transitional protection gave rise to unlawful age discrimination for tapered and unprotected members. In light of this, the Tribunal in the Aarons case gave an interim declaration in October 2019 that all tapered and unprotected members were entitled to be treated as if they had been given full transitional protection and had remained in their current scheme after 1 April 2015. Whilst the interim declaration applied only to claimants, the Government made clear through a Written Ministerial Statement on 25 March 2020 that non-claimants would be treated in the same way.

5.39 An element of the remedy claimed by police officers was compensation for injury to feelings. Test cases for these claims were due to be heard by the Employment Tribunal this month, but the Home Office has settled the injury to feelings claims on behalf of the forces and itself. All practical arrangements for payment of the settlement sums, which are not known to the forces, are being made by the Home Office. This settlement only relates to claimants represented by one legal firm (that represented a significant number of the overall number of claimants) and therefore it is not known whether the Home Office will take the same approach to claimants represented by other firms, or unrepresented claimants. However, it is hoped that the settlement of those claims will also be funded by the Home Office.

5.40 It is unclear whether the Government or the PCC and Chief Constable will carry the financial burden for the remaining remedy, although it is expected that it should be the Government as they put in place the discriminatory legislation. At this point no additional amounts have been recognised in the MTFP but are recognised as Contingent Liabilities in the Statement of Accounts published on the PCC and Constabulary websites.

C. Maintaining investment in modernising technology

5.41 To remain as efficient as possible, the Constabulary needs to continue to invest in and refresh technology that keeps the policing model fit-for-purpose and able to meet increasing demand and the changing nature of crime. This investment (outlined in the section below and Appendix E), initially charged to capital account, is significant and has ultimately to be funded from the revenue budget. Norfolk Constabulary is committed to the drive to improve efficiency and productivity of the force.

D. Rising and Changing Demand for the PCC

5.42 This continues to follow on from 2020 as most difficult and challenging times and the additional external funding income for the 2021/22 financial year has yet again been highly successful. This has further reduced strain and impact on core Commissioning, Ministry of Justice, and Covid 19 Budgets and offset some of these costs. This income is due to the success in securing external funding through bid processes. To recap the OPCCN has secured an additional £1.053m of funding. The OPCCN Commissioning Team have also awarded the contract for the new Norfolk Integrated Domestic Abuse Service (NIDAS) project. This brings together partners to provide domestic abuse services countywide.

5.43 The result of the first stage of the PCC review by Central Government has been released. This included a discussion on the role of a Deputy PCC and a review into the governance of the Fire Service. The result of the second stage of the review will be announced sometime in early 2022. Further information will be provided to the Panel as and when it becomes available.

Capital Programme and Financing 2022/26

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

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

5.46 As flagged over recent budget reports, as the estate continues to be modernised in line with the Estates Strategy, additional external borrowing has been required and interest payments have started to be made. This borrowing remains affordable and more details are in Appendix G. It should be noted that the investment in the Estates Strategy will enable the rationalisation of the estate, including the disposal of some buildings, and the exit from remaining leased properties. This coupled with the Modern Workplace Programme (with some of the workforce formally moving to home and hybrid working) will result in savings to the force over the long-term resulting in significant savings over the life of that investment.

5.47 It is not prudent to borrow for short-life assets. These should be funded from capital receipts, reserves allocated to fund capital schemes, or revenue budget contributions.

5.48 From 2015/16 to 2021/22 the Home Office capital grant has reduced from over £1m to £0.1m. In the settlement for 2022/23 it was confirmed that force capital grant contributions have now ceased. This means each year an additional £1m has had to be funded from reserves or the revenue budget to bridge this reduction in funding.

5.49 In addition, the need to keep the force fit-for-purpose, using modern enabling technology and tackling more cyber related crime, has required increased investment in short-life assets that help support the drive for increased productivity and efficiency (see also section 7). These assets (e.g. body worn video, mobile devices, and automatic number plate recognition (ANPR) to name but a few) then need replacing every 3 to 5 years. The capital programme therefore includes the routine refresh of this growing ICT / digital estate as well as the increasing investment in infrastructure e.g. in networks and servers to deal with the growth in requirements for investigating, transferring and storing large volumes of digital data.

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

5.51 A significant cost within the Capital Programme is the inclusion of the Emergency Services Network (ESN) rollout. This is the replacement for the ageing Airwave system (i.e. the push-to-talk radio communications for officers). The ESN programme is technically complex and nationally the programme has had a number of delays. However, the programme is moving forward and is currently to be delivered within the time period of this MTFP and £5.5m of costs is profiled in the programme. This is a significant cost that as it stands will have to be met by force budgets / reserves.

5.52 Funding constraints, and limitations on the availability of capital receipts over time, have meant there has been an increased reliance on reserves to fund short-life assets over the last few years. To continue to fund the replacement programme over the medium-term and beyond, to protect reserve levels, and to mitigate the pressure to borrow, additional revenue budget has been required to be dedicated to the funding of short-life assets and this has been increased year on year. This issue is expanded further in the review of adequacy of reserves later in this report (see page 27) as well as the Capital and Reserves Strategies (see Appendices D and F).

5.53 The proposed capital programme has been updated to 2025/26 and is set out in detail at Appendix E. The revenue consequences of the proposed capital programme have been fully taken-into-account in preparing the MTFP.

5.54 The table below summarises the Capital Programme 2022/26.

	2022/23	**2023/24**	**2024/25**	**2025/26**
	£000	**£000**	**£000**	**£000**
Estates schemes	6,926	4,040	3,710	1,555
ICT (Norfolk only including ESN)	609	3,280	3,003	1,029
Norfolk share of Joint ICT Schemes & Projects	3,729	3,284	2,692	3,344
Vehicles and Equipment	791	991	787	1,107
Total	**12,055**	**11,595**	**10,192**	**7,035**

Note: The 2022/23 total includes £2.4m estimated as requiring carry forward from 2021/22.

5.55 The Capital Programme for 2022/23 is arranged in 2 tables:-

Table A Schemes or technical refresh programmes approved for immediate start in 2022/23.

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

5.56 Key aspects of the programme are outlined below:

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

Capital Financing

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

	2022/23 £000	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
Government Capital Grant	-	-	-	-
Capital Receipts	1,210	1,360	451	310
Revenue	4,133	4,312	4,302	4,219
Use of / (Contribution to) Reserves	111	2,423	1,939	1,006
Internal/External Borrowing	6,601	3,500	3,500	1,500
Total	**12,055**	**11,595**	**10,192**	**7,035**

6. The Precept Option 2022/23

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

MEDIUM TERM FINANCIAL PLAN - 4 YEAR OVERVIEW - NORFOLK - £9.99 precept increase 2022/23						
£9.99 p.a. for 2023/24 and 2024/25 included for modelling purposes			Budget	Forecast	Forecast	Forecast
£0 assumed for 2025/26		Line	2022/23	2023/24	2024/25	2025/26
			£000	£000	£000	£000
REVENUE FUNDING						
	Home Office Grant	1	(96,298)	(97,428)	(99,123)	(99,123)
	Legacy Council Tax Grants	2	(9,305)	(9,305)	(9,305)	(9,305)
	Precept Income	3	(88,153)	(91,742)	(95,766)	(96,724)
TOTAL FUNDING		4	**(193,756)**	**(198,474)**	**(204,193)**	**(205,151)**
BASE REVENUE BUDGET INCLUDING INFLATION:						
	Total Revenue Expenditure before savings	5	204,049	209,000	213,116	217,248
	Revenue Funding of Capital Expenditure	6	2,900	2,900	2,900	2,900
	Total Revenue Income inc Specific Grants	7	(22,120)	(20,765)	(20,919)	(21,076)
NET REVENUE BUDGET BEFORE KNOWN CHANGES AND SAVINGS		8	**184,829**	**191,134**	**195,097**	**199,072**
DEFICIT / (SURPLUS) BEFORE KNOWN CHANGES		9	**(8,927)**	**(7,340)**	**(9,096)**	**(6,079)**
	Known / Expected Changes	10	10,430	14,953	15,688	15,184
	Planned use of reserves	11	827	(4,161)	(1,390)	(481)
REVENUE DEFICIT BEFORE SAVINGS		12	**2,330**	**3,452**	**5,202**	**8,624**
	Change Programme Savings	13	(2,330)	(3,452)	(5,203)	(5,188)
	Surplus / (Savings to be identified)	14	0	0	0	(3,436)
	Total Cumulative Permanent Savings	15	**(2,330)**	**(3,452)**	**(5,203)**	**(8,624)**
REVENUE DEFICIT/(SURPLUS) AFTER SAVINGS		16	**0**	**0**	**0**	**0**

6.2 Through both the Beating Crime Plan and the National Policing Measures, the Government has placed a priority on all police forces to respond to growing concerns about rape, serious sexual assault, domestic abuse and violence against women and girls. This is an area of police capability that needs additional resources to improve services and meet growing demand. Over 20% of all crimes recorded by Norfolk Constabulary concern Domestic Abuse and this is the main cause of rising violent crime throughout the County.

6.3 Of 21 new officer and staff posts proposed for the next financial year, 19 of them would work in this area. It is of huge concern to me and to the Chief Constable that sexual assault and domestic abuse are areas of significant growth in demand for the constabulary and it is imperative that we do our utmost to support victims of these crimes and bring perpetrators to justice.

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

6.5 Even allowing for the 3.59% precept funding in 2022/23, significant savings requirements are required from 2023/24 onwards.

6.6 Based on the information contained in this report and having taken into account the position and information presented by the Chief Constable, the PCC proposes to raise the policing part of local council tax by 3.59% (15 pence per week at Band B/ 19 pence at Band D) in order to help maintain current levels of service and enable your police service to tackle the new challenges they are facing.

6.7 As outlined in section 3, the Policing Minister also confirmed “that PCCs will be empowered to raise additional funding through precept flexibility. We propose to enable PCCs to increase their Band D precept by up to £10 in each of the next three years without the need to call for a local referendum, the equivalent of less than £1 per month”.

6.8 Therefore, this report includes, for modelling purposes, £9.99 precept increase for years two and three of the medium-term plan. As precept limits are not known for 2025/26 the fourth year of the plan assumes a 0% increase. Precept for each of the future years of the plan will be subject to public consultation as required by statute.

7. Statutory Assurances and Strategies

Robustness of the Budget

7.1 The integrated financial planning model provides the high-level financial data that is used to generate the annual revenue and capital budgets, all of which are reconciled to control totals.

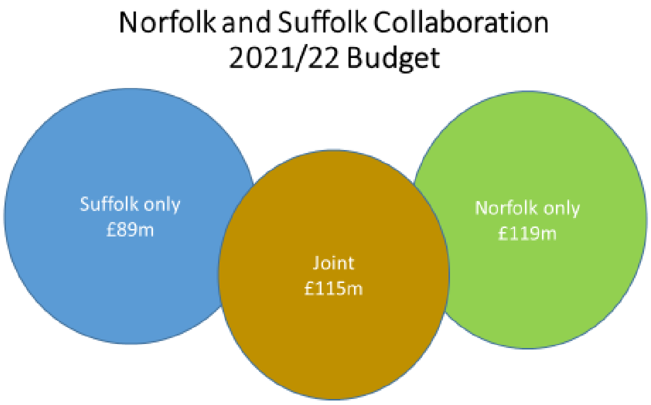
7.2 The comprehensive Service and Financial Planning process has resulted in the development of the various savings proposals and programmes. This has involved Chief Officers, Finance, and the Programme Management Office (PMO) from both Norfolk and Suffolk Constabularies, maintaining financial clarity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

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

Collaboration and the Change Programme

7.4 Norfolk and Suffolk Constabularies have been collaborating for over a decade. In the period to 2021/22, a large number of business cases have been implemented and total savings of £44.7m (£21.7m Suffolk and £23m Norfolk) have been found from collaboration.

7.5 The “joint” services budget is now over 1/3rd of the combined budget of both forces and stands at over £115m.



7.6 As part of the Service and Financial Planning process for 2022/23 to 2025/26, savings have been identified from collaborative units and Norfolk only units (Norfolk's share is £2.3m rising to £5.2m by 2025/26). These have been assessed in terms of risks and impact on outcomes using the OBB model.

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

Blue Light Collaboration

7.8 Norfolk Constabulary and Norfolk Fire and Rescue Service continue to strengthen their working relationship and the Fire Control Room has moved in alongside the Police Control Room in addition to the Fire Service HQ also being located at the Wymondham site. In addition, there are shared premises at Downham Market, Holt, Reepham, Sheringham and King's Lynn.

The constabulary also shares premises with the East of England Ambulance Service at Attleborough, Aylsham, Earlham, Hunstanton, Long Stratton and Sprowston.

Regional Collaboration

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

7.10 The 7 Force Commercial Team has been in place for two years, and following a post implementation review that took place after 12 months, has continued to develop improvements to the way it works across the region including the ongoing development of the 7 Force commercial contractual "pipeline". The strategy is overseen by the Strategic Procurement Governance Board, chaired by one of the PCCs, while the day-to-day running of the service is overseen by the Commercial Executive Board – both boards include the membership of PCC and CC CFOs.

7.11 Through the programme, regional projects continue to be delivered including those to bring efficiencies to the Vetting process through automation, and the implementation of a 5 force Digital Asset Management System (DAMS). Other opportunities for further convergence and collaboration will be explored and commissioned on an ongoing basis.

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

Risk and Efficiency

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

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

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

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

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

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

Efficiency

7.18 Implicit throughout all financial planning is the need to deliver efficiency and drive out savings. Business cases should, where relevant, identify the Return on Investment. As detailed above, the Constabulary (and policing nationally) will need to continue to evidence its efficiency and effectiveness to achieve positive Spending Review outcomes in the future. The external auditor has consistently issued an unqualified value for money (VFM) opinion and the Joint Audit Committee does consider Her Majesty's Inspectorate of Constabulary and the Fire Service (HMICFRS) VFM profiles alongside internal audit reports on the control environment.

7.19 The PCC and the Chief Constable continue to be committed to investing in and delivering improvements in efficiency, effectiveness and productivity.

7.20 Over recent years this has included capital investment in Body Worn Video (BWV), mobile devices, automated number plate recognition (ANPR) devices, drone technology and telematics and dashcams. In respect of BWV and mobile devices, a significant refresh programme is being undertaken in 2021/22 and 2022/23 and will be repeated in 3 to 4 years time.

7.21 Significant investment has also been made into the Norfolk Estate including the development of two new police stations, one in the west of the county (already delivered and operational) and one in the east (now under construction). These new stations not only enable an improved policing model that delivers more efficient and better quality investigations with lower supervision costs, but they also enable c£14m worth of estates savings over a 40 year period through the disposal of sites no longer fit for purpose, and the exit from expensive lease arrangements.

7.22 This MTFP also includes provision for funding for Efficiency Initiatives (see Appendix E) including a Process Maturity Programme, Automation projects and a Data Quality project. All funding within these lines will be subject to business cases that need to outline the potential return on investment.

7.23 The constabularies are also improving their processes and governance arrangements in respect of benefits development within business cases, benefits tracking and benefits realisation – all of which are crucial to create the culture to drive out productivity improvements at each level of the business.

Annual Treasury Management Strategy 2022/23

7.24 Government regulations require the PCC to approve the investment and borrowing strategies and borrowing limits for 2022/23 prior to the start of the financial year. This is incorporated within an over-arching Treasury Management Strategy, which is attached at Appendix G.

Compliance with the Prudential Code

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

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

7.27 To demonstrate that the objectives of affordability, prudence and sustainability have been achieved, the Prudential Code requires Indicators to be determined by the PCC. These are designed to support and record local decision making and for comparison over time. They are not designed to be comparative performance indicators. Details of the proposed indicators for 2022/23 are provided in Annex 1 to Appendix G. Progress against the indicators will be monitored throughout the year.

Minimum Revenue Provision (MRP)

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

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

Adequacy of Reserves

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

7.31 This budget report provides information on all the reserves held and how they will be used. General and earmarked reserves play a vital role in the financial management and financial standing of the PCC. The current policy of the PCC is to maintain the general reserve between 2.5% - 3% of net revenue budget and total reserves at no lower than 6% of net revenue budget as a minimum. Norfolk’s total reserves are forecast to reduce from £17.716m (12.18% of budget) as at 31/3/22 to around £11.966m (8.33% of budget) by 31/3/26.

7.32 In the previous MTFP through sound financial management the PCC had set aside earmarked reserves to meet future spending needs. This included the inclusion of an efficiency reserve created with the in-year savings in the OPCCN. This has been earmarked for the PCC to use to engage with the public as regards progress with his Police, Crime and Community Safety Plan and take account of the public’s views.

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

Precept Consultation

7.34 The 2022/23 police budget and council tax consultation took the form of a survey - available both online and in hard copy – with people also having the opportunity to submit their views by email, telephone, and letter.

7.35 In total, there were 942 valid responses to the consultation and feedback through social media. There were 3 hard copies of the survey returned during the consultation period. The results of the police budget and tax 2022/23 consultation show that of the 942 respondents to the survey, a total of 463 respondents strongly agreed or agreed with the proposal to raise the precept by 3.59%. This equates to 49% in overall support of a precept increase in contrast to 44% of the total respondents who did not support a precept increase. 7.4% of respondents said they neither agree nor disagree with the proposal.

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

Chief Finance Officer's Section 25 Assurances

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

7.38 The estimates have been put together by qualified finance staff in the Constabulary's Finance Department and reviewed by qualified staff within the Office of the PCC.

7.39 The biggest area of uncertainty is around the cost pressures from inflation and pay increases. The pay pause has been lifted for 2022/23 and at the time of writing the report, the level of increase is unknown with estimates included as per para 5.3. If the additional pay costs exceed what has been forecast, then the gap will have to be funded through either council tax increases and/or additional cost savings.

7.40 By themselves, none of the risks and issues outlined in this report are so significant that they could not be managed in isolation. However, collectively they represent a gradual and escalating build-up of financial pressure that will need to be closely monitored during the year and the next iterations of the Reserve Strategy, Capital strategy and MTFP will all be updated accordingly. The Constabulary Chief Officer team and the OPCCN Executive are very experienced at managing the identifiable risks as part of this process and through their respective Strategic Risk Registers.

7.41 As outlined throughout this report, the 2022/23 budget, and MTFP has been prepared in a properly controlled and professionally supported process. It has been subject to due consideration within the Constabulary and by the PCC.

7.42 The provisional police settlement enables each PCC to increase the police element of council tax by up to £10 a year for a band D property in 2022/23. If utilised in full this would facilitate maintaining the current workforce levels, as well as allowing the force to invest £0.9m in additional resources, police staff and police officers, as well as the technology to improve the productivity and efficiency of their work.

7.43 The PCC is reminded that his responsibility for setting the annual budget and council tax precept for 2022/23 should also take-into-account whether the budget and service plans are relevant, affordable and sustainable in the longer-term. In doing so, he will need to satisfy himself that services and resource allocation have been appropriately prioritised and that financial risks have been adequately addressed and covered by, for example, reserves, contingencies and risk mitigation plans.

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

8. Conclusion

8.1 Based on the information contained in this report and having taken into account the position and information presented by the Chief Constable, the PCC proposes to raise the policing part of local council tax by 3.59% (15 pence per week at Band B/ 19 pence at Band D) in order to help maintain current levels of service and enable your police service to tackle the new challenges they are facing.

Police Grant 2022/23

1. The changes in Government funding for 2022/23 are set out in the table below:

	2021/22	2022/23	Variance	
	£000	£000	£000	%
Police Core Grant	90,864	96,298	5,434	5.98%
Ringfenced Grant (Uplift)	1,119	1,510	391	34.94%
Legacy Council Tax Grants	9,305	9,305	0	0%
Total all Grants	**101,288**	**107,113**	**5,825**	**5.75%**

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

3. The Home Office has “re-allocated” (top sliced) £1,374m in total from the national grant pot. This funding is used to centrally fund Police Technology Programmes, enhance national policing capabilities, fund crime reduction programmes, and help tackle issues such as rape, serious violence and drugs and county lines as well as fund other arms-length bodies.

Appendix B (i)

Budget and Medium Term Financial Plan 2022/26

Increase Council Tax by 3.59% per annum (£9.99)

MEDIUM TERM FINANCIAL PLAN - 4 YEAR OVERVIEW - NORFOLK - £9.99 precept increase 2022/23					
£9.99 p.a. for 2023/24 and 2024/25 included for modelling purposes		**Budget**	**Forecast**	**Forecast**	**Forecast**
£0 assumed for 2025/26	**Line**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
		£000	£000	£000	£000
REVENUE FUNDING					
Home Office Grant	1	(96,298)	(97,428)	(99,123)	(99,123)
Legacy Council Tax Grants	2	(9,305)	(9,305)	(9,305)	(9,305)
Precept Income	3	(88,153)	(91,742)	(95,766)	(96,724)
TOTAL FUNDING	4	**(193,756)**	**(198,474)**	**(204,193)**	**(205,151)**
BASE REVENUE BUDGET INCLUDING INFLATION:					
Total Revenue Expenditure before savings	5	204,049	209,000	213,116	217,248
Revenue Funding of Capital Expenditure	6	2,900	2,900	2,900	2,900
Total Revenue Income inc Specific Grants	7	(22,120)	(20,765)	(20,919)	(21,076)
NET REVENUE BUDGET BEFORE KNOWN CHANGES AND SAVINGS	8	**184,829**	**191,134**	**195,097**	**199,072**
DEFICIT / (SURPLUS) BEFORE KNOWN CHANGES	9	**(8,927)**	**(7,340)**	**(9,096)**	**(6,079)**
Known / Expected Changes	10	10,430	14,953	15,688	15,184
Planned use of reserves	11	827	(4,161)	(1,390)	(481)
REVENUE DEFICIT BEFORE SAVINGS	12	**2,330**	**3,452**	**5,202**	**8,624**
Change Programme Savings	13	(2,330)	(3,452)	(5,203)	(5,188)
Surplus / (Savings to be identified)	14	0	0	0	(3,436)
Total Cumulative Permanent Savings	15	**(2,330)**	**(3,452)**	**(5,203)**	**(8,624)**
REVENUE DEFICIT/(SURPLUS) AFTER SAVINGS	16	**0**	**0**	**0**	**0**

Analysis of Known/Expected Changes   Appendix B(ii)

PLANNED REVENUE CHANGES 2022/2026 - NORFOLK	Line	Budget 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
		£000	£000	£000	£000
STATUTORY CHANGES					
Rent and Housing Allowance Reductions	1		(100)	(100)	(100)
Variation in Bank Holiday Numbers 11 in 2021/22 then 9, 9, 7, 8)	2	(332)		(332)	166
Pension based pressures	3	40	40	240	240
NI Levy	4	1,500	1,500	1,500	1,500
Firearms Licensing Income	5	36	132	108	26
TOTAL STATUTORY CHANGES	6	**1,244**	**1,572**	**1,416**	**1,832**
INVESTMENT (Precept and Grant Funded)					
Uplift Grant Investment:					
Officer uplift of 66 FTE (remaining impact of 21/22 recruitment target)	7	111	111	111	111
Officer uplift of 90 FTE (impact of 22/23 recruitment target)	8	3,520	3,960	3,960	3,960
Maintaining Officer Numbers on the Front Line	9	750	1,000	1,000	1,000
Uplift Investment (Supporting staff roles, kit, equipment & estates costs)	10	500	500	500	500
Precept Investment:					
Investment into priority areas as per the budget consultation	11	939	1,020	1,020	1,020
Further precept investment 23/24 for modelling purposes	12		1,000	1,000	1,000
Further precept investment 24/25 for modelling purposes	13			1,000	1,000
Potential adjustment of existing funding stream	14		(370)	(370)	(370)
TOTAL INVESTMENT	15	**5,820**	**7,221**	**8,221**	**8,221**
SERVICE DEVELOPMENTS					
National:					
Home Office System Charges	16	178	178	178	178
National Police Air Service (NPAS)	17	15	85	85	85
Microsoft Enterprise Agreement	18	71	230	230	230
Total National	19	**264**	**493**	**493**	**493**
Regional:					
7 Force Collaboration Contribution	20	157			
Other regional contributions	21	40	40	40	40
Vetting System & Lead role	22	(7)	(7)	(7)	(7)
Insurance Pressures	23		200	200	200
Digital Asset Management System	24	11	80	100	100
Forensic Case Management System	25	71	71	71	71
Total Regional	26	**272**	**384**	**404**	**404**
Local:					
PEQF - DHEP training costs	27	174	478	668	668
PEQF - Co-investment	28			65	65
ISO Accreditation	29	372	72	72	44
Drones investment	30	214	214	214	214
Chorus Licences	31	20	20	20	20
Challenge Panel Process Review - Cost Pressures - Pay	32	798	920	920	920
Challenge Panel Process Review - Cost Pressures - Non Pay	33	99	95	95	95
OPCCN Costs	34	150	230	230	230
Total Local	35	**1,827**	**2,029**	**2,284**	**2,256**
TOTAL SERVICE DEVELOPMENTS	36	**2,363**	**2,906**	**3,181**	**3,153**
CAPITAL FINANCING					
Capital Programme Funding RCCO	37	845	680	670	655
Capital Programme Funding - Capital Financing adjustments	38	(472)	(524)	(894)	807
Capital Programme Funding - Invest to Save	39	583	468	354	198
Capital Programme Funding - ESN	40		2,479	2,479	
Minimum Revenue Provision	41		115	174	210
Interest	42	46	36	86	107
TOTAL CAPITAL FINANCING	43	**1,002**	**3,254**	**2,870**	**1,978**
Total Changes Before Reserve Movement Adjustments	44	**10,430**	**14,953**	**15,688**	**15,184**
CONTRIBUTION TO RESERVES					
Capital Financing and Efficiency Improvement Reserve	45	945		500	500
Invest to Save Reserve	46		50		
General Reserve	47	150	125	50	25
CONTRIBUTION FROM RESERVES					
7 Force Collaboration Contribution	48	(157)			
Capital Programme Funding - Invest to Save Reserve	49	(583)	(468)	(354)	(198)
Capital Programme Funding - Capital Financing Reserve	50	472	524	894	(807)
ESN Funding	51		(2,479)	(2,479)	
Use of Budget Support Reserve	52		(1,913)		
NET RESERVE MOVEMENTS	53	**827**	**(4,161)**	**(1,390)**	**(481)**
Total Known / Expected Changes (net of reserve movements)	54	**11,256**	**10,792**	**14,298**	**14,703**

Analysis of Savings

SAVINGS PLAN 2022/2026 - NORFOLK	Line	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000
Change and Efficiency Savings:					
As per challenge panels:					
Pay (including inflation)	1	969	1,116	1,116	1,116
Non-Pay	2	1,361	1,336	1,807	1,792
Additional Savings assumption	3		1,000	2,280	2,280
Total Change and Efficiency Savings	4	**2,330**	**3,452**	**5,203**	**5,188**
TOTAL PERMANENT SAVINGS AGAINST 2021/22 BASE	5	**2,330**	**3,452**	**5,203**	**5,188**

Appendix C

High Level Analysis of the Net Budget

Increase Council Tax by 3.59% per annum (£9.99)

3.59% £9.99 increase								
Year	**PCC**	**OPCCN**	**PCC's Commissioning ***	**Chief Constable**	**Capital Financing**	**Specific Home Office Grants**	**Use of Reserves**	**Net Budget**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
2021/22	95	1,155	1,546	188,965	6,296	(14,615)	(386)	**183,056**
2022/23	99	1,384	1,044	201,266	3,902	(14,766)	827	**193,756**
2023/24	179	1,384	1,044	207,254	6,154	(13,379)	(4,161)	**198,474**
2024/25	179	1,384	1,044	210,712	5,770	(13,506)	(1,390)	**204,193**
2025/26	179	1,384	1,044	211,782	4,878	(13,635)	(481)	**205,151**
				above includes savings to be found:		*£3,436*		
			* includes draw down from commissioning reserve					

Police and Crime Commissioner for Norfolk
Capital Strategy

1. Introduction

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires the production of a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of good stewardship, value for money, prudence, sustainability and affordability.

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

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

2. Objectives

2.1 The key objectives of the Capital Strategy are to:

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

3. Governance

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

3.2 Project boards are initiated for all appropriate projects and are run on Prince 2 project models. These individual projects report into Portfolio Boards each with a Senior Responsible Officer. Reports from these boards are then taken to the Organisational Board chaired by the Deputy Chief Constables of Norfolk and Suffolk (DCCs) and attended by each Head of Department.

3.3 Sitting above this is the Strategic Planning and Monitoring meeting, again chaired by the DCCs but with a smaller membership (DCCs, Assistant Chief Officers (ACOs – Chief Constable Section 151 officers) of Norfolk and Suffolk, Head of Finance, Head of Strategic Business Operational Services, Director of ICT, Head of People). This group acts as monitor of the Change Programme including delivery of all projects, as a gateway for new projects emerging in year, ensures appropriate resources are agreed in line with priorities and ensures targets set within the Medium-Term Financial Plan (MTFP) are met.

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

4. Strategies and Plans

4.1 This year the budget setting process has aligned with the period that the newly elected Police and Crime Commissioner (PCC) has been consulting on his new Police, Crime and Community Safety Plan (PCCSP) 2022-2024, and the MTFP considers the Police and Crime Priorities within that plan. The new Plan has six pillars and is underpinned by prudent budgeting and financial planning alongside ethics and standards in policing. Sustain Norfolk Constabulary is one of the six pillars and this includes gaining best value from Constabulary and OPCCN funding. The tenure of the new PCC will be three years again due to the impact of the Covid 19 pandemic.

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

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

4.4 In addition there are four key plans / strategies that support the capital strategy.

- A new Estates plan has been developed alongside the development of the Police, Crime and Community Safety Plan, and sets out the PCC vision for the Norfolk Estate 2022/25. The strategy is designed to ensure delivery of a fit-for-purpose estates portfolio that is responsive to current and future needs, effectively supports meeting strategic objectives and service delivery and which is focussed on improving public confidence and reducing costs. The strategy will support the aim of maximising resources for front line policing and delivery of effectiveness, efficiency and value for money.

- There is a Joint Transport Strategy for Norfolk and Suffolk that covers the period 2021/25. Vehicle replacement and procurement forms part of the current and future strategies and contributes to force performance by ensuring fleet acquisition and replacement with an optimum use of all resources. The strategy promotes continuous modernisation and service improvements ensuring local and national strategies are considered to drive forward a cost effective and efficient service.

- The Joint ICT Strategy runs from 2021-2025. The strategy focuses on several themes including rationalisation of solutions, automation, re use not re-invent, self-service, reduction of estate and secure by design. This very much supports the published Digital Strategy which focuses on data, enabling staff, connected technology and digital leadership. The Strategy is aligned to the National Strategy published by the NPCC.

5. Capital Budget Setting including evaluation and prioritisation

5.1 The capital programme is developed through the Service and Financial Challenge governance process that uses Outcome Based Budgeting principles. The Challenge Panels are informed by the Force Management Statement (FMS) that forecast demand changes for the Constabulary over the next four years, any gaps that exist regarding capacity or capability and the steps being taken to improve this.

5.2 As part of this process there is a Capital Challenge Panel meeting with the Director of ICT, Head of Estates and Head of Transport to review the most significant elements of the programme and ensure these are consistent with the current strategies and policies previously mentioned. The panel consists of the Deputy Chief Constables (DCCs) of Norfolk and Suffolk, Assistant Chief Officers (ACOs – Chief Constable Section 151 officers) from Norfolk and Suffolk, Head of Joint Finance and the Head of Joint Strategic Business Operational Services.

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

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

Identification and Prioritisation

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

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

- Mandation / statutory requirements – unavoidable projects i.e. mandated, statutory or contractually obliged,

- Strategic alignment – alignment to the Police and Crime Plan, the Force Management Statement and the constabulary Strategic Assessment,

- Interdependencies – with other projects and or strategies and plans,

- Risk – of not doing the project and whether this is within tolerable levels,

- Cashable savings – the return on investment (ROI) measured against the initial outlay, where this is appropriate to consider

- Deferability / complexity –The level of resource commitment, internally and externally and time critical deadlines,

- Non-cashable benefits – other benefits such as service improvements and efficiency / productivity benefits

- Mitigation – future cost avoidance

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

Evaluation

5.8 To evaluate the successful outcomes of the capital projects a post project review is carried out. The depth of this review is proportionate to the project and benefits set out in the initial Business Case and Project Initiation Documentation.

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

Collaboration and cost sharing

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

5.11 Most other spend including the replacement of ICT infrastructure, the purchase of short-life assets such as Body Worn video, mobile devices, and high tech crime kit is funded collaboratively with Suffolk on the ratio of Net Revenue Budget (currently 57% Norfolk : 43% Suffolk).

Implementation and Monitoring

5.12 Monitoring of the capital programme in year is undertaken monthly, using commitment information to understand the projected outturn of the programme. This view is then incorporated into the monthly revenue and capital monitoring reports that are presented to the Chief Constables and the Police and Crime Commissioners. These reports give information about under or over-spends against the revenue and capital budgets and take-into-account the revenue implications of capital spending.

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

5.14 In addition, following approval of the capital programme a Project Manager is identified for each key project. The Project Manager is responsible for managing implementation and delivering against the project objectives. The Project Manager will produce the project plan for approval. Progress against the plan is reported to the quarterly meeting and monitored through monthly highlight reporting. Overall monitoring of specific programme risks is also undertaken.

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

6. Capital Funding

6.1 All capital expenditure has to be funded through the Police Fund, either through income received in the year or through the use of reserves. For the purposes of this Strategy, the term “funding” relates to the use of current income or reserves to fund capital expenditure. The term “Financing” relates to how the asset is to be paid for, e.g. internal borrowing (cash balances) or external borrowing.

6.2 The capital programme needs to be fully funded over the life of the MTFP and more information on this is set out below. As part of the MTFP process it is ensured that a balance of the funding sources is used to ensure an adequate and sustainable level of reserves remain at the end of the planning period. More information on this is set out in the Reserves Strategy. This is a strong financial indicator of the affordability and sustainability of the capital programme.

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

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

6.5 Capital grant - Direct funding from government capital grants has been a principal source of funding in previous years. Non-specific government capital grants have been made available through a formula-driven allocation. However, these grants are now significantly lower than in prior years, with the expectation that this will diminish to negligible levels by the end of the current (MTFP) as the government has looked to reduce direct capital funding. Where relevant and appropriate the PCC will aim to secure specific grant opportunities, either from Central Government or through collaboration with public sector or other partnership bodies.

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

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

6.8 As capital expenditure has been internally financed in previous years from internal cash balances, not all PCC reserves are cash-backed. Therefore, even though reserves are used to fund capital expenditure, there may still be a need to finance the expenditure using external borrowing.

6.9 Direct revenue funding - In the budget delegated to the Chief Constable there is an element of the current revenue budget that funds capital expenditure, any amount funded in this way will be charged directly to the Police Fund.

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

6.11 Minimum Revenue Provision (MRP) - Accumulated capital expenditure not funded using the above methods is called the Capital Financing Requirement (CFR). This balance is funded using MRP, there are a number of MRP options available to fund this balance, the method adopted by the PCC is the Asset Life Method, where the associated asset is funded using either equal instalments or an annuity basis.

6.12 MRP is charged against the Police Fund annually and effectively reduces the CFR. The PCC has adopted a position where only long-life assets are funded using MRP or significant implementation projects e.g for the Emergency Services Network (ESN) to smooth the hit on reserves over a longer period. As other funding sources potentially run out, it is possible that other short-life assets may be funded using this method. However, in the longer-term funding short life assets in this way is not sustainable and there will be a greater need to fund from direct revenue as outlined above.

6.13 MRP is also the funding method for assets financed via Private Finance Initiatives (PFI) or Finance Leases. MRP is calculated as equivalent to the principal repayment of the PFI or lease liability in the year.

7. Capital Financing and Borrowing

Capital expenditure can be financed in the following ways:

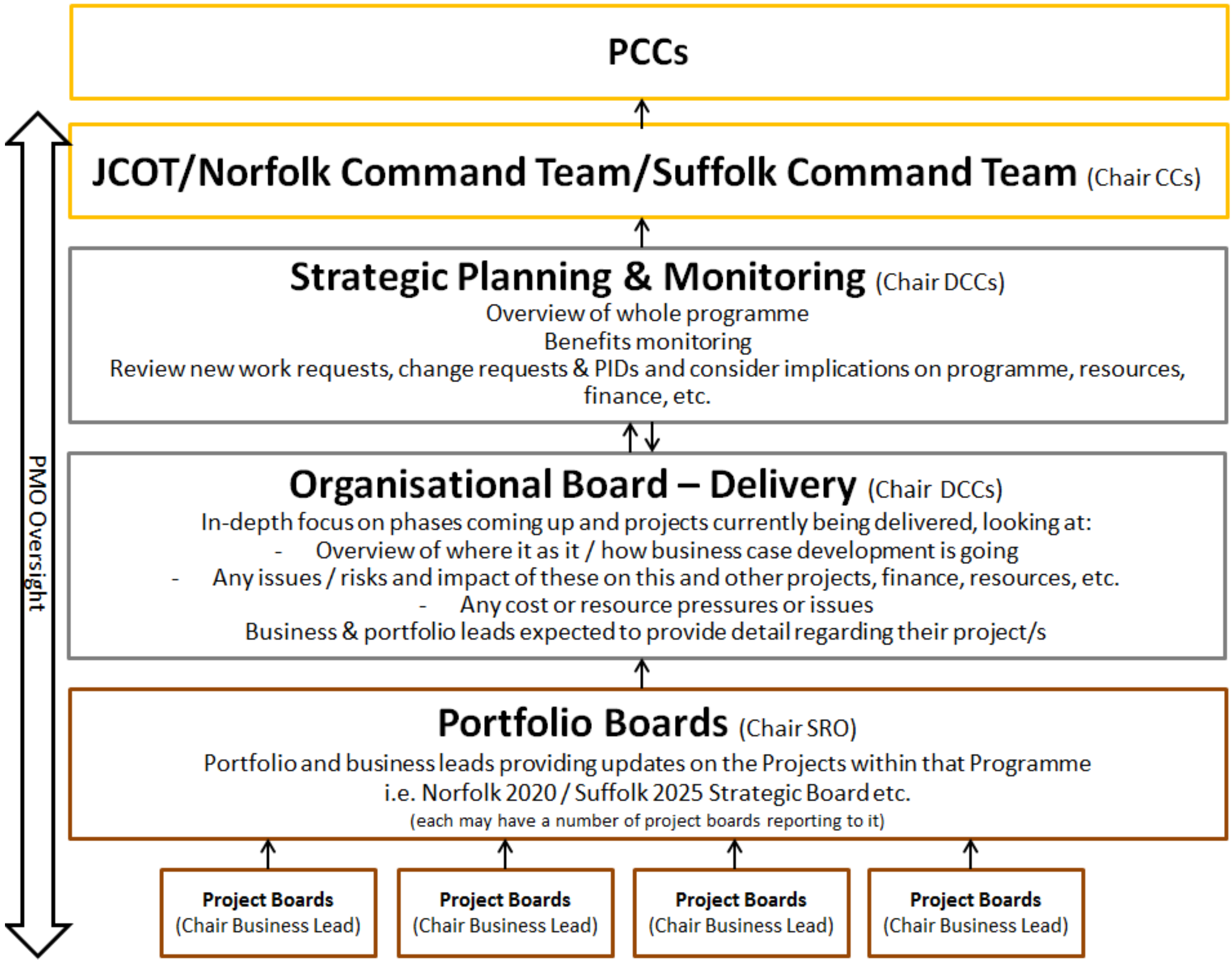
7.1 Capital grants received or capital receipts from asset sales generate cash balances and these are directly used to finance capital expenditure. Where in-year revenue funding of capital takes place, financing is made from in-year income sources.

7.2 Internal borrowing. Where cash or investment balances have increased over a period of time as reserves have accumulated, these balances can be used to finance the acquisition of assets. This decision is often made as the investment returns received are normally lower than the interest that would be payable if the capital expenditure is financed using external borrowing.

7.3 External borrowing. This method is used to finance capital expenditure where the above options are unavailable. External borrowing can be obtained from a number of sources:

- PFI – Historically major infrastructure projects have been financed using PFI arrangements. Private finance is secured to finance the schemes which form part of a Public/Private Partnership. Norfolk PCC have used this method to finance the Operational Command Centre (OCC – HQ) at Wymondham and several Police Investigation Centres (PICs) across Norfolk and Suffolk.
- Nationally, new PFI arrangements have significantly reduced in number and the Government have now withdrawn support for future schemes.
- Leases – Some assets have been secured using leasing arrangements. With the advent of Prudential borrowing, leases are less popular as they are generally an expensive financing route. However, with the introduction of a new leasing Standard (IFRS 16), property lease liabilities will be brought onto the balance sheet and form part of the CFR and thus attract MRP.
- Prudential borrowing – with the introduction of the Prudential Code, local government bodies have been able to secure external borrowing on favourable terms, providing their borrowing is prudent, affordable and sustainable. Unfunded long-term assets are therefore primarily financed using this route. External borrowing is principally sourced from the Public Works Loans Board (PWLB), where finance is available on fixed or variable rates over varying terms and repayable on a maturity or an annuity basis. The PCC is expected to source significant new PWLB finance throughout the medium-term. At this point in time, however, the interest rates are very low, and the PCC can take short term advantage of these through access to the money markets, while setting a target rate at which the use of PWLB finance would be more prudent.

Governance model



Appendix E

Capital Programme 2022/26

CAPITAL - NORFOLK - 2022/23 - 2025/26						
PROJECT	**2022-23 Total Requirement**		**2023-24**	**2024-25**	**2025-26**	**4 Year Total**
	Table A	**Table B**				
Estates Strategy	1,500,000		3,500,000	3,500,000	1,500,000	10,000,000
Carbon Management	140,000		40,000	70,000	55,000	305,000
2020 East Hub - Broadland Gate	3,868,735					3,868,735
Norfolk OCC Review		100,000	200,000			300,000
Hethersett	165,088	1,067,500				1,232,588
Lease Dilapidations	85,000		300,000	140,000		525,000
Total Estates - Norfolk Only	**5,758,823**	**1,167,500**	**4,040,000**	**3,710,000**	**1,555,000**	**16,231,323**
ICT Replacements - Desktop and Laptops	327,380		669,305	392,035	896,641	2,285,361
ICT Replacements - Communications	82,000		82,000	82,000	82,000	328,000
ANPR Vehicle Kit Refresh	50,000		50,000	50,000	50,000	200,000
ESN (Emergency Services Network)		150,000	2,479,329	2,479,329	0	5,108,657
Total ICT - Norfolk Only	**459,380**	**150,000**	**3,280,634**	**3,003,364**	**1,028,641**	**7,922,018**
Vehicle Replacement Programme	708,000		943,000	787,000	1,107,000	3,545,000
Athena	83,038		47,807			130,845
Total Equipment and Vehicle Replacements - Norfolk Only	**791,038**	**0**	**990,807**	**787,000**	**1,107,000**	**3,675,845**
Total Norfolk Only	**7,009,241**	**1,317,500**	**8,311,441**	**7,500,364**	**3,690,641**	**27,829,186**
Norfolk Share of Replacement Schemes	1,558,086	-	1,487,752	1,321,063	2,478,331	6,845,232
Norfolk Capital Programme	8,567,327	1,317,500	9,799,193	8,821,426	6,168,972	34,674,418
Norfolk Share of Joint Projects	571,395	1,599,675	1,796,185	1,371,274	865,982	6,204,510
Total Norfolk Capital Programme	**9,138,722**	**2,917,175**	**11,595,377**	**10,192,700**	**7,034,954**	**40,878,929**
		12,055,897				

Capital Financing is shown in the Tables at paragraph 5.56

Appendix E

Capital Programme 2022/26 (Contd.)

PROJECT	2022-23 Total Requirement		2023-24	2024-25	2025-26	4 Year total
Joint ICT Replacement Schemes:	**Table A**	**Table B**				
ICT Tech Refresh:						
Joint ICT Replacements - Servers	621,700	0	777,000	703,000	1,197,000	3,298,700
ICT Replacements - Network	888,000	0	872,187	1,059,720	1,360,939	4,180,846
Microwave Refresh	37,500	0	49,000	22,000	25,500	134,000
ANPR Cameras	75,000	0	255,000	210,000	112,500	652,500
ICT Tech refresh total	**1,622,200**	**0**	**1,953,187**	**1,994,720**	**2,695,939**	**8,266,046**
Mobile Device Replacement Programme	255,000	0	500,000	165,000	730,545	1,650,545
Total Mobile Telephony	**255,000**	**0**	**500,000**	**165,000**	**730,545**	**1,650,545**
Body Worn Video:						
BWV Replacement	865,909	0	166,095	166,095	936,776	2,134,875
BWV Device Refresh	0	0	0	0	0	0
Total Body Worn Video	**865,909**	**0**	**166,095**	**166,095**	**936,776**	**2,134,875**
ICT Replacement Schemes	**2,743,109**	**0**	**2,619,282**	**2,325,815**	**4,363,260**	**12,051,466**
Norfolk	**1,558,086**	**0**	**1,487,752**	**1,321,063**	**2,478,331**	**6,845,232**
Suffolk	**1,185,023**	**0**	**1,131,530**	**1,004,752**	**1,884,928**	**5,206,233**
Joint Projects Subject to Business Case:						
Digital Forensics						
Joint Digital Forensics - data centre	526,448	0	1,035,089	1,160,000	1,160,000	3,881,537
Total HTCU	**526,448**	**0**	**1,035,089**	**1,160,000**	**1,160,000**	**3,881,537**
Digital Portfolio						
Mobile Workflow (OPTIK)	260,000	0	200,000	0	0	460,000
O365 Exploitation	0	50,000	50,000	50,000	0	150,000
Single Online Home (SOH)	0	0	140,000	0	0	140,000
CDG Phase 2 - Data Warehousing	0	75,000	0	0	0	75,000
Fingerprint Scanner Replacement	0	0	120,000	0	0	120,000
Total Digital Portfolio	**260,000**	**125,000**	**510,000**	**50,000**	**0**	**945,000**
Efficiency Initiatives						
Process Maturity	0	728,000	700,000	500,000	250,000	2,178,000
Automation	0	100,000	125,000	125,000	100,000	450,000
DQ Project	0	200,000	0	0	0	200,000
Efficiency Initiatives	**0**	**1,028,000**	**825,000**	**625,000**	**350,000**	**2,828,000**

Protective Services:						
Radio Frequency Capacity	0	237,000	0	0	0	237,000
Laser Sights for Weapon Systems	0	50,000	0	0	0	50,000
Ear Defenders and Comms Rigs	0	72,000	0	0	0	72,000
Shields - replacement programme for existing ARV shields - TBC	0	25,000	25,000	25,000	25,000	100,000
Body Armour - replacement programme - details TBC	0	130,000	120,000	120,000	0	370,000
Camera equipment refresh for CSI & FCIU	0	90,000	0	0	0	90,000
Rifle Capability	0	80,000	0	0	0	80,000
Total Protective Services:	**0**	**684,000**	**145,000**	**145,000**	**25,000**	**999,000**
REGIONAL PROJECTS:						
DAMS (Digital Asset Management)	0	332,055	86,831	0	0	418,886
ESN	0	106,242	442,574	442,574	0	991,390
Forensic Case Management System	0	166,000	0	0	0	166,000
Total Regional Projects	**0**	**604,297**	**529,405**	**442,574**	**0**	**1,576,276**
ERP RELATED PROJECTS:						
DMS Upgrade	100,000	0	0	0	0	100,000
Skills Module ERP (Chronicle)	0	110,000	78,000	0	0	188,000
E-Recruitment	67,925	0	0	0	0	67,925
E-PDR	50,000	0	50,000	0	0	100,000
Total ERP Related Projects:	**217,925**	**110,000**	**128,000**	**0**	**0**	**455,925**
Other Projects:						
Occupational Health and Welfare system	8,216	0	0	0	0	8,216
Genie Clearcore - Phase 3	0	100,000	0	0	0	100,000
Project Server	0	20,000	0	0	0	20,000
Modern Workplace	0	150,000	0	0	0	150,000
Total Other Projects	**8,216**	**270,000**	**0**	**0**	**0**	**278,216**
Total Joint Capital Programme	**3,755,698**	**2,821,297**	**5,791,776**	**4,748,389**	**5,898,260**	**23,015,420**
Joint Capital Projects - Norfolk	2,129,481	1,599,675	3,283,937	2,692,337	3,344,313	13,049,743
Joint Capital Projects - Suffolk	1,626,217	1,221,622	2,507,839	2,056,052	2,553,946	9,965,677
	3,755,698	**2,821,297**	**5,791,776**	**4,748,389**	**5,898,260**	**23,015,420**

Appendix F

Police and Crime Commissioner for Norfolk
Reserves Strategy (Budget and Medium-Term Financial Plan 2022/26)

1. It is important to consider the PCC's reserves at the same time as the budget to ensure that resources are available to fund spending at a level commensurate with the needs of the PCC and Constabulary. Forecasting cash flows and balances over the budget period ensures efficient and effective financial management and avoids unnecessary finance charges. Reserves are held for either general purposes (such as working capital or fall-back to cover exceptional unforeseen circumstances), or earmarked for specific purposes. The PCC complies with the definition of reserves contained within the Chartered Institute of Public Finance and Accountancy (CIPFA) Accounting Code of Practice.

2. The Strategy requires an annual review of reserves to be undertaken and reported to the PCC. This reflects guidance on reserves issued by CIPFA. The most recent guidance requires an annual review of reserves to be considered by the PCC as part of good practice in the management of financial reserves and balances.

3. The minimum prudent level of reserves is a matter of judgement rather than prescription. Neither CIPFA nor statute sets a minimum level of reserves. In determining the level and type of reserves, the PCC has to take into account relevant local circumstances and the advice of their CFO, and that of the Chief Constable and the Chief Constable's CFO in making a reasoned judgement on the appropriate level of reserves.

4. In order to assess the adequacy of reserves when setting the budget, the PCC, in line with advice as outlined above, should take account of the strategic, operational and financial risks facing the organisation. This assessment of risk should include external risks, as well as internal risks, for example the ability to deliver planned efficiency savings.

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

General Reserve

Assessment of adequacy

6. The **General Reserve** is held to enable the PCC to manage unplanned or unforeseen events. In forming a view on the level of General Reserve, account is taken of the level of financial control within the organisation and comparisons with similar bodies. Also taken into account is the risk of unforeseen expenditure occurring, particularly major operations, risk of failure to deliver the savings programme and sensitivity analysis of changes in assumptions included in the MTFP.

7. Within the MTFP appropriate estimates are made of a number of key items including provision for pay and price rises, as well as a forecast of interest movements. In addition, prudent assumptions are made for the forecast capital programme and for future capital receipts. These estimates and assumptions also take into account the general financial climate.

8. Norfolk Constabulary has generally managed its demand led pressures within its budget envelope year on year, and where appropriate has used earmarked reserves to meet additional significant demand pressures and unbudgeted costs.

9. Since 2010 the constabulary has a proven track record of delivering efficiency savings year on year that will total £40m by the end of 2021/22.

10. In the MTFP savings plans are outlined across the period of the plan. These are outlined in the main budget report. The Chief Constable and PCC are committed to continuing to deliver efficiency and productivity gains in each year of the MTFP.

11. The General Reserve is currently at £4.475m (2.56% of net revenue budget). The strategy is to maintain this between 2.5% and 3% for the duration of the MTFP. This requires the reserve to be increased by £0.645m between 2022/23 and 2025/26 to £5.120m. This is a prudent and adequate amount to hold as a General Reserve. This is shown in Annex 1.

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

Earmarked Reserves

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

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

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

16. The **Budget Support Reserve** was being held as a contingency against future demand led pressures,and had also been used to deal with the funding pressures arising from austerity. The plan was to end the use of this reserve and repurpose the remaining balance for use as part of the Invest to Save Reserve and the Capital Financing and Efficiency Improvement Reserve. However, given the economic uncertainty caused by the Covid-19 pandemic and lockdown restrictions, this reserve has been re-established. This reserve will be used over the period of the Spending Review.

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

18. The **Capital Financing Reserve and Efficiency Improvement Reserve** is used to help fund the short-life asset requirement of the Capital Programme. The reserve is used when the amount required for investment exceeds the budget

available for this purpose. This is an important part of the funding strategy to ensure the constabulary is as efficient and productive as possible through continued investment in enabling technologies. This is a key reserve and forecast levels are reviewed each year against the capital programme to make sure there is sufficient funding available for future years.

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

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

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

22. The **Efficiency Reserve** is held for the PCC who will draw on this reserve for engaging with the public on the progress of the Police, Crime and Community Safety Plan.

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

Compliance with Home Office guidance on reserves

24. On 31st March 2018 the Minister for Policing and the Fire Service published guidance on the information that each PCC must publish in terms of reserves. One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:

- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan

- Funding for specific projects and programmes beyond the current planning period

- As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management

This information is provided in Annex 2 which analyses the forecast balance on 31st March 2022 over the above headings.

Conclusion

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

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

27. Having considered the levels of reserves included in the MTFP, and acknowledging the Chief Constable's commitment to work with the PCC to balance the budget over the period of the MTFP and taking account of the approach to managing financial risk described in the report, the CFOs advice is that there will be adequate general and earmarked reserves to continue the smooth running of the PCC and Constabulary's finances over the medium term financial planning period.

FORECAST MOVEMENTS IN GENERAL AND EARMARKED RESERVES 2020/21 to 2025/26

ANNEX 1

RESERVES SUMMARY - NORFOLK

PROJECTION OF RESERVES LEVELS:	**Total General Reserve**	**Budget Support Reserve**	**Invest to Save Reserve**	**Capital Financing and Efficiency Improvement Reserve**	**Insurance Reserve**	**Regional Partnership Reserve**	**Community Safety Reserve**	**Efficiency Reserve**	**PCC Reserve**	**Total Earmarked Reserve**	**Total General and Earmarked Reserves**	**Safety Camera**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
31/03/2021 Actual	**4,475**	**3,282**	**2,125**	**6,593**	**856**	**193**	**500**	**125**	**1,837**	**15,511**	**19,986**	**1,101**
Proposed Changes 2021/22:												
Transfer to Revenue from Reserves									(266)	**(266)**		
Transfer from Reserves 7F Team			(175)							**(175)**		
Contribution to Reserves	100	272		2,374						**2,646**		
31/03/2022 Forecast	**4,575**	**3,554**	**1,950**	**8,967**	**856**	**193**	**500**	**125**	**1,571**	**17,716**	**22,291**	**1,101**
Proposed Changes 2022/23:												
Transfer to Revenue from Reserves			(583)							**(583)**		
Transfer to Revenue from Reserves - 7F team			(157)							**(157)**		
Reallocation between reserves	115	(115)								**(115)**		
Contribution to Reserves	150			1,417						**1,417**		
31/03/2023 Forecast	**4,840**	**3,439**	**1,210**	**10,384**	**856**	**193**	**500**	**125**	**1,571**	**18,278**	**23,118**	**1,101**
Proposed Changes 2023/24:												
Transfer to Revenue from Reserves		(1,913)	(468)							**(2,381)**		
Transfer to Revenue from Reserves - ESN				(2,479)						**(2,479)**		
Reallocation between reserves		(314)	314							**0**		
Contribution to Reserves	125		50	524						**574**		
31/03/2024 Forecast	**4,965**	**1,212**	**1,106**	**8,428**	**856**	**193**	**500**	**125**	**1,571**	**13,992**	**18,957**	**1,101**
Proposed Changes 2024/25:												
Transfer to Revenue from Reserves			(354)							**(354)**		
Transfer to Revenue from Reserves - ESN				(2,479)						**(2,479)**		
Reallocation between reserves	80	(80)								**(80)**		
Contribution to Reserves	50			1,394						**1,394**		
31/03/2025 Forecast	**5,095**	**1,132**	**752**	**7,343**	**856**	**193**	**500**	**125**	**1,571**	**12,472**	**17,567**	**1,101**
Proposed Changes 2025/26:												
Transfer to Revenue from Reserves			(198)	(807)						**(1,006)**		
Contribution to Reserves	25			500						**500**		
31/03/2026 Forecast	**5,120**	**1,132**	**554**	**7,035**	**856**	**193**	**500**	**125**	**1,571**	**11,966**	**17,086**	**1,101**

Excludes Safety Camera Partnership Reserve

FORECAST RESERVES AT 31/03/2022 ANALYSED BY HOME OFFICE CATEGORIES

ANNEX 2

Analysis of forecast reserves as at 31.03.2022 - NORFOLK					
	Forecast Balance as at 31.3.22	**Funding for projects & programmes over the period of the current MTFP**	**New contributions during the life of the MTFP**	**Existing Funding for projects & programmes beyond 2025/26**	**General Contingency**
	£m	**£m**		**£m**	**£m**
General Reserve	4.575	0.000	-0.650	0.000	5.120
Earmarked Reserves:					
Budget Support Reserve	3.554	2.527		1.132	
Invest to Save Reserve	1.950	1.760	-0.364	0.554	
Capital Financing Reserve	8.967	5.766	-3.834	7.035	
Insurance Reserve	0.856	0.000			0.856
Partnership Reserve	0.193	0.000		0.193	
Community Safety Reserve	0.500	0.000		0.500	
Efficiency Reserve	0.125	0.000			0.125
PCC Reserve	1.571	0.000			1.571
Total Earmarked Reserves	17.716	10.053	-4.198	9.414	2.552
Safety Camera Reserve	1.101	0.000	0.000	1.101	
Total Reserves	23.392	10.053	-4.848	10.515	7.672

The Office of the Police and Crime Commissioner for Norfolk
Annual Investment and Treasury Management Strategy Statement 2022/23

1. Background

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

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

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

1.4 CIPFA defines treasury management as:

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

1.5 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) underpins the system of capital finance. The new edition (published in December 2021 makes important changes that reflect developments since the Prudential Code was last updated in 2017.

The 2021 publication of the Prudential Code applies with immediate effect, except that authorities may defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The revised reporting requirements include changes to the capital strategy, prudential indicators and investment reporting. The general ongoing principles of the revised Prudential Code, including the requirement in paragraph 51 that an authority must not borrow to invest primarily for financial return, apply with immediate effect.

In preparing the 2022/23 strategy we have included, where possible, revised/new Prudential Indicators in accordance with the new Code.

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

1.7 The IFRS16 Leasing Standard is to be implemented in the Accounting Code of Practice from 1 April 2022, therefore the Prudential and Treasury Management Indicators reported include an estimation of Lease liabilities falling under IFRS16, which impact on external debt and the Capital Financing Requirement.

2. Reporting requirements

Capital Strategy

2.1 The CIPFA 2021 Prudential and Treasury Management Codes require, for 2022/23, all local authorities to prepare a capital strategy report, which will provide the following:

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

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

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

Treasury Management reporting

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

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

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

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

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

3. Treasury Management Strategy for 2022/23

3.1 The strategy for 2022/23 covers two main areas:

Capital issues

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

Treasury management issues

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

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC (The Department for Levelling Up, Housing and Communities) MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

Training

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

Treasury management consultants

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

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

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

The Treasury Management Function

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

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

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

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

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

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

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

- Technical support on treasury matters and capital finance issues.
- Economic and interest rate analysis.
- Debt services which includes advice on the timing of long term borrowing.

- Debt rescheduling advice surrounding the existing portfolio.

- Generic investment advice on interest rates, timing and investment instruments.

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

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

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

4. Investment Strategy 2022/23

4.1 The Bank Rate at the time of drafting this Strategy stands at 0.25%. It is currently predicted that the Bank Rate will increase over the planning period as follows:

- Q1 2022 - 0.25%
- Q1 2023 - 0.75%
- Q1 2024 - 1.00%

However, these forecasts are likely to be revised within a relatively short timeframe due to a number of social, economic and political reasons.

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

Financial Year	Budgeted Interest Earnings
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Later Years	2.00%

The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.
It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%.

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

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

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

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

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

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

5. Investment Strategy 2022/23 - Counterparty Criteria

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

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

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

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

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

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

- **Part Nationalised UK Banks –** Royal Bank of Scotland Group (including Nat West). These banks are included while they continue to be part nationalised or they meet the minimum rating criteria for UK Banks above.

- **The PCC's Corporate Banker –** If the credit ratings of the PCC's corporate banker (currently Barclays Bank plc) fall below the minimum criteria for UK Banks above, then cash balances held with that bank will be for account operation purposes only and balances will be minimised in terms of monetary size and time.

- **Building Societies –** The PCC will use Building Societies which meet the ratings for UK Banks outlined above.

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

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

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

5.3 All cash invested by the PCC in 2022/23 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

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

5.5 The current maximum lending limit of £10m for any counterparty will be maintained in 2022/23 to reflect the level of cash balances and to avoid large deposits with the DMO. Where there is a surplus of cash due to unplanned cashflows, in order to keep within the counterparty limit with the PCC's bankers, the PCC will place investments using other secure liquid financial instruments, e.g. Money Market Funds.

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

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

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

6. Investment Strategy 2022/23 – Specified and Non-Specified Investments

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

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

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

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

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

6.4 The PCC's proposed Strategy for 2022/23 therefore includes both Specified and Non-Specified Investment institutions.

7. Borrowing Strategy 2022/23

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

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

7.3 Historically, the main source of long term loans has been the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office (DMO). The maximum period for which loans can be advanced by the PWLB is 50 years. Lending by the PWLB is now on the proviso that CFOs confirm that the authority does not intend to buy investment assets primarily for yield at any point in the next three years. The 2021 revision to the Prudential Code now includes the requirement in paragraph 51 that an authority must not borrow to invest primarily for financial return. Paragraph 51 states:

"The Prudential Code determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment:

• *In order to comply with the Prudential Code, an authority must not borrow to invest primarily for financial return.*

• *It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose."*

7.4 External borrowing currently stands at £33.4m (excluding PFI and ROU Leases). At 31 March 2021 and excluding PFI and ROU Leases, there was a £36.3m Capital Financing Requirement (CFR), £12.5m relating to unfunded capital expenditure which had been financed from internal resources. The CFR is estimated to be £42.4m at 31 March 2022, £48.1m at 31 March 2023 and £50.7m at 31 March 2024. Additional long term borrowing is estimated at £3.8m for 2023/24 and £5.8m for 2024/25. The borrowing requirement does not include the funding requirement in respect of assets financed through PFI and Leasing.

7.5 The challenging and uncertain economic outlook, together with managing the cost of "carrying debt" requires a flexible approach to borrowing. The PCC, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time and any risks identified.

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

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

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

8. Treasury Management Indicators

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

- **Maturity Structures of Borrowing** – These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing and require upper and lower limits. It is recommended that the PCC sets the following limits for the maturity structures of its borrowing at 31.3.22:

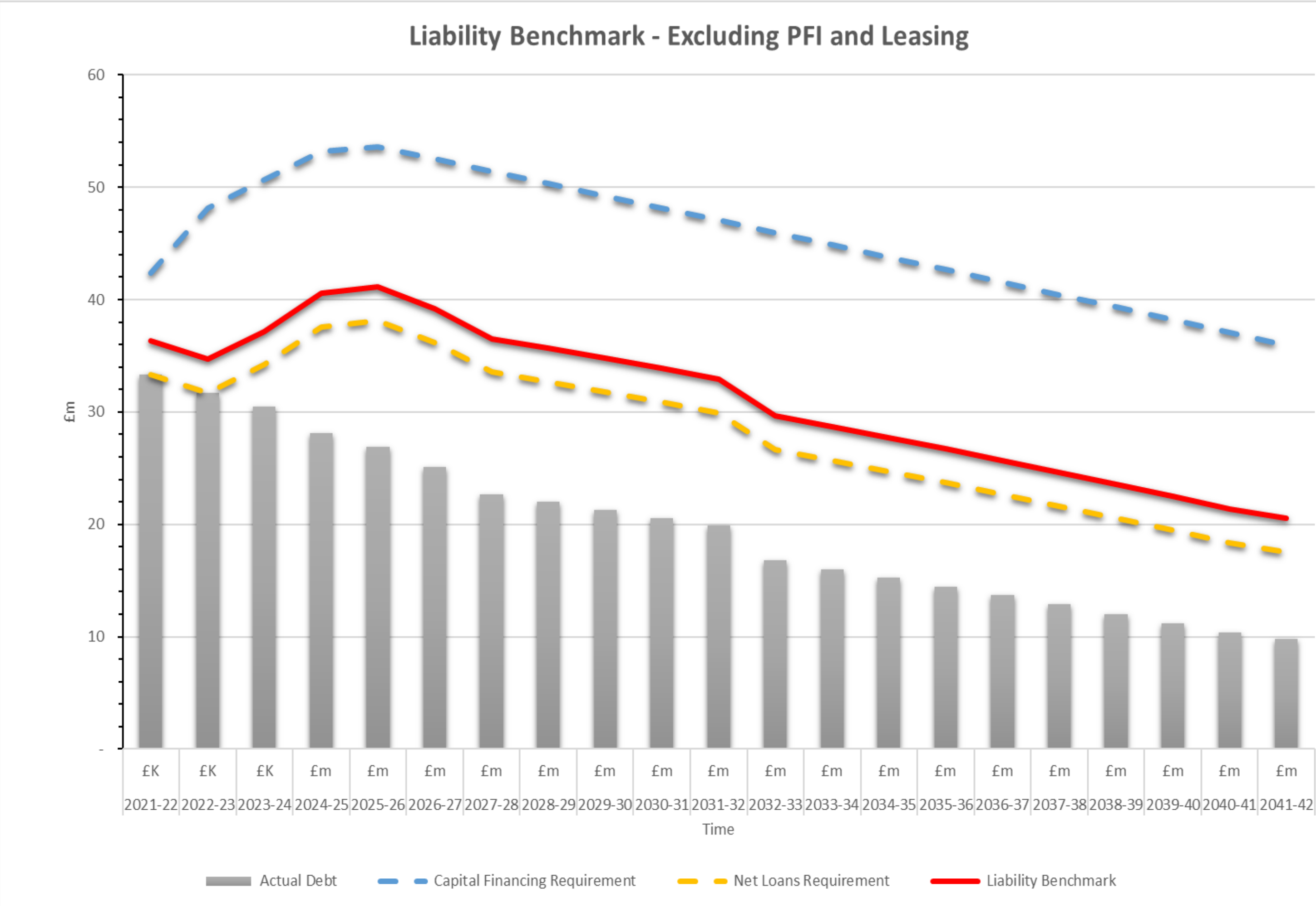
	Actual*	Lower Limit	Upper Limit
Under 12 months	4.9%	0%	15%
12 months and within 24 months	3.8%	0%	15%
24 months and within 5 years	16.0%	0%	45%
5 years and within 10 years	15.8%	0%	75%
10 years and above	59.5%	0%	100%

* Actual is based on existing balances at 31 March 2022

- **Upper Limits to the Total of Principal Funds Invested for Greater than 365 Days –** This limit is set with regard to the PCC's liquidity requirements. It is estimated that in 2022/23, the maximum level of PCC funds invested for periods greater than 365 days will be no more than £4.475m.

- **Liability Benchmark**

  This is a new indicator arising from the 2021 Revised Treasury Management Code of Practice. The liability benchmark is an essential risk management tool. The optimum position is for total borrowing to be on the liability benchmark line. Borrowing above that level will be reflected in increased investment balances and introduce the cost of carry and additional credit risk implications, although this may be needed to anticipate interest rate movements and secure affordable borrowing.



Annex 1

Prudential Code Indicators 2022/23, 2023/24, 2024/25

1. Background

1.1 The Prudential Code for capital investment came into effect on 1st April 2004. It replaced the complex regulatory framework, which only allowed borrowing if specific government authorisation had been received. The Prudential system is one based on self-regulation. All borrowing undertaken is self-determined under the prudential code. A revised Prudential Code was published in December 2021 and applies from with immediate effect, albeit with a soft landing for 2022/23.

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

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

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

1.4 The required Prudential and Treasury Management indicators are:

- Capital Expenditure Forecast
- Capital Financing Requirement
- Actual External Debt
- Authorised Limit for External Debt
- Operational Boundary Limit for External Debt
- Net income from commercial and service investments to net revenue stream ratio.

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

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

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

2. The Indicators

2.1 The **Capital Expenditure Payment Forecast** is detailed in Appendix E (of the PCC's Budget and MTFP report 2022/26). The total estimated payments are:

	2022/23	**2023/24**	**2024/25**
	£m	£m	£m
Capital Expenditure Forecast	12.056	11.595	10.193
Transition of ROU Leases	0.788		

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

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

Ratio of Capital Financing Costs to Net Revenue Budget		
2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
4.81%	4.65%	4.46%

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

Capital Financing Requirement			
31/03/22 Estimate	31/03/23 Estimate	31/03/24 Estimate	31/03/25 Estimate
£97.601m	£102.061m	£102.521m	£102.969m

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

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

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

2.5 The Code defines the **authorised limit for external debt** as the sum of external borrowing and any other financing long-term liabilities e.g. finance leases. It is recommended that the PCC approve the 2022/23 and future years limits. For 2022/23 this will be the statutory limit determined under section 3(1) of the Local Government

Act 2003.
As required by the Code, the PCC is asked to delegate authority to the Chief Finance Officer (OPCCN), within the total limit for any individual year, to effect movement between the separate limits for borrowing and other long-term liabilities. Any such changes made will be reported to the PCC.

Authorised Limit for External Debt			
	2022/23	2023/24	2024/25
	£m	£m	£m
PWLB borrowing	31.732	34.185	37.574
Other long term liabilities (OCC PFI)	22.679	21.906	21.043
Other long term liabilities (PIC PFI)	30.771	29.634	28.539
ROU Lease Liabilities	0.472	0.309	0.240
Headroom	21.510	21.612	20.722
Total	107.164	107.647	108.118

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

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

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

Operational Boundary Limit for External Debt			
	2022/23	2023/24	2024/25
	£m	£m	£m
PWLB borrowing	31.732	34.185	37.574
Other long term liabilities (OCC PFI)	22.679	21.906	21.043
Other long term liabilities (PIC PFI)	30.771	29.634	28.539
ROU Lease Liabilities	0.472	0.309	0.240
Total	85.654	86.034	87.396

2.7 The Code now requires a new indicator identifying the ratio between net income from commercial and service investments to net revenue stream. This indicator provides a contextual assessment of the proportionality of income from commercial and service investments. However, as the PCC does not currently engage in any commercial arrangements, there is no need to provide further information on this indicator.

Annex 2

Minimum Revenue Provision (MRP)
MRP Policy and Statement for 2022/23.

1. Introduction

1.1 The PCC is required to make a charge against the revenue budget each year in respect of capital expenditure financed by borrowing or credit arrangement. The annual charge is set aside for the eventual repayment of the loan and is known as the Minimum Revenue Provision (MRP). This is separate from any annual interest charges that are incurred on borrowing.

1.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 amend the way in which MRP can be calculated so that each authority must consider what is "prudent". The regulations are backed up by statutory guidance which gives advice on what might be considered prudent.

2. Options for Making Prudent Provision

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

Option 1 - Regulatory Method
Authorities may continue to use the formulae put in place by the previous regulations.

Option 2 - Capital Financing Requirement (CFR) Method

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

Option 3 – Asset Life Method
This is to make provision over the estimated life of the asset for which the borrowing is undertaken. This could be done by:
(a) Charging MRP in equal instalments over the life of the asset
(b) Charge MRP on an annuity basis, where MRP is the principal element for the year of the annuity required to repay over the asset's useful life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during repayment period (e.g. by the application of capital receipts) should be made as necessary.

Option 4 - Depreciation
MRP is deemed to be equal to the provision required in accordance with deprecation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment charged to the income and expenditure accounts.

2.2 The regulations make a distinction between capital expenditure incurred before 1 April 2008 and capital expenditure incurred from 1 April 2008 in terms of the options available.

2.3 Options 1 and 2 are to be used for capital expenditure incurred pre April 2008. Options 3 and 4 are to be used for Capital expenditure incurred post April 2008.

3. MRP Policy

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

3.2 As reserves, cash and investment balances have been consumed following the decrease in direct government funding, it is now necessary to externally finance capital expenditure on long life assets. The current preferred financing method is via the Public Works Loans Board (PWLB) borrowed on an annuity basis.

3.3 Option 3b (Annuity Method) is adopted for capital expenditure chargeable as MRP for the first time after 1 April 2019. The principal reason for this change was for the charge to revenue to reflect the capital repayment basis on the associated finance. This method will therefore adopt a similar MRP basis as those assets financed through lease or PFI arrangements.

3.4 The revised Statutory Guidance released on 2 February 2018 stipulates that this change in policy cannot be applied retrospectively to assets placed in service prior to the date the revised policy was introduced. Therefore Option 3a still applies to capital expenditure chargeable as MRP for the first time prior to 1 April 2019.

4. Recommendations

4.1 It is proposed that the following MRP policy is adopted as follows for 2022/23:

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

Norfolk PCC Precept 2022/23 – £9.99 (3.59%) increase in Council Tax

COUNCIL TAX PRECEPT

£9.99 (3.59%) increase in council tax in 2022/23

	£
Budget Requirement	193,756,202
Less Government Funding	105,602,101
To be met from council tax (incl. surplus)	88,154,101

Billing Authority	**Taxbase**	**Precept Amount**	**Surplus on Collection Fund**	**Total Payments Due**
		£	£	£
BRECKLAND	45,031	12,969,043	30,371	12,999,415
BROADLAND	47,457	13,667,616	121,812	13,789,428
GT. YARMOUTH	29,344	8,451,072	51,394	8,502,466
K.LYNN & W. NORFOLK	52,611	15,151,824	74,872	15,226,696
NORTH NORFOLK	41,164	11,855,225	5,339	11,860,564
CITY OF NORWICH	37,788	10,882,944	555	10,883,499
SOUTH NORFOLK	51,430	14,811,840	80,193	14,892,033
	304,825	87,789,564	364,537	88,154,101

Valuation Band	**Council Tax 2021/22**	**Council Tax 2022/23**	**Increase Year**	**Increase Week**
	£	£		
A	185.34	192.00	6.66	0.13
B	216.23	224.00	7.77	0.15
C	247.12	256.00	8.88	0.17
D	278.01	288.00	9.99	0.19
E	339.79	352.00	12.21	0.23
F	401.57	416.00	14.43	0.28
G	463.35	480.00	16.65	0.32
H	556.02	576.00	19.98	0.38

(i) As in previous years instalment payments will be made to the PCC by the district councils on the day that they receive their government grant instalments. This will minimise the cash flow effect on the collection authorities.

(ii) Where a surplus on collection of 2021/22 council tax has been estimated, the District Council concerned will pay to the PCC its proportion of the sum by ten equal instalments, as an addition to the May 2022 to February 2023 precept payments.

(iii) Where a deficit on collection of 2021/22 council tax has been estimated, the District Council concerned will receive from the PCC its proportion of the sum by ten equal instalments, as a reduction to the May 2022 to February 2023 precept payments.

Office of the Police & Crime Commissioner
Precept Consultation 2022/23 Results

Summary

1. The Police and Crime Commissioner (PCC) has a statutory duty to consult Norfolk people on his proposals ahead of setting the policing budget, and with it, how much they will contribute through council tax.
2. The Panel has received a report detailing the method, timescales and key dates for the 2022/23 police budget consultation.
3. The information below provides members of the Police and Crime Panel with an overview of the consultation results.

1. Results of the public consultation

1.1 The 2022/23 police budget and council tax consultation took the form of a survey - available both online and in hard copy – with people also having the opportunity to submit their views by email, letter or by telephone.

1.2 In total, there were 942 valid responses to the consultation alongside feedback through social media (See Appendix 2 for Precept consultation communications report) and 9 emails into the main OPCCN inbox. There were 3 hard copies of the survey returned during the consultation period.

1.3 All comments received to the consultation by whatever means of communication were provided to the PCC to help inform his 2022/23 policing budget decisions.

1.4 Recurring themes/messages within the comments included: (See Appendix A for thematic breakdown of reposes)

- The desire for more visible policing, especially in rural areas
- The increase is too expensive
- Police service costs too much

1.5 Recurring themes in comments for those responders who agreed with the proposal includes:

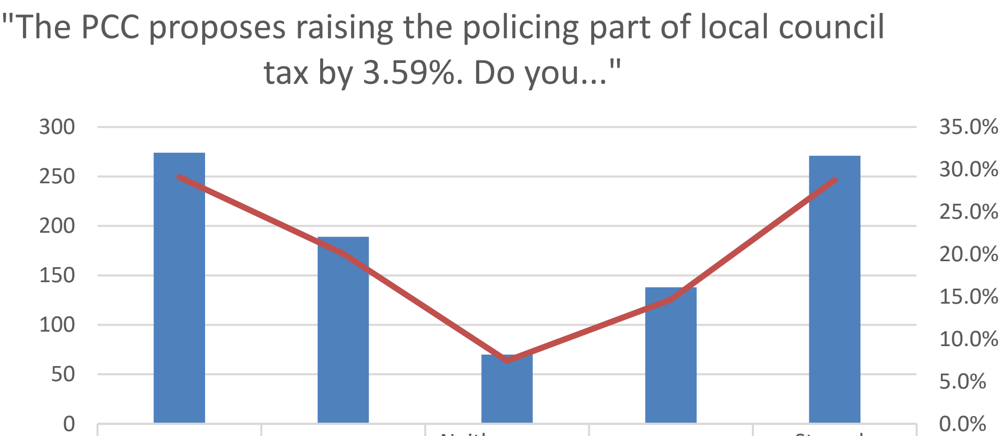
- More money is needed to support the service
- Maintaining the policing service is needed to make people feel safe
- People are happy to pay more if the service is improved and more police are visible

1.6 Recurring themes in comments for those responders who disagreed with the proposal include:

- Household bills are rising so people cannot afford the extra money on top of other rising bills

- There has been a year and year increase and there is nothing to show for this
- The current budget is not managed appropriately and does not provide value for money

1.7 Breakdown of responses:



	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
Number	274	189	70	138	271
Percentage	29.1%	20.1%	7.4%	14.7%	28.8%

1.8 Via the online survey 419 comments were made in response to the consultation question.

2. Conclusions

2.1 The results of the police budget and tax 2022/23 consultation show that of the 942 respondents to the survey, a total of 274 respondents strongly agreed with the proposal to raise the precept by 3.59%. A total of 189 respondents agreed with the proposal.

2.2 This equates to 49% in overall support of a precept increase in contrast to 44% of the total respondents who did not support a precept increase. 7% of respondents said they neither agree nor disagree with the proposal.

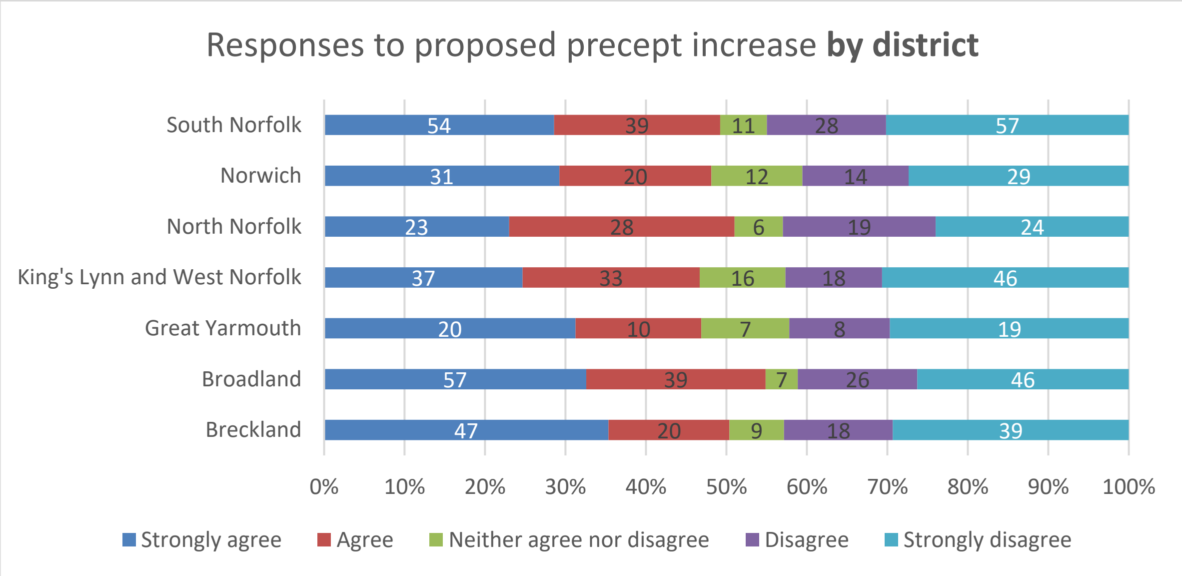
2.3 Due to the global pandemic and subsequent lockdown restrictions, face to face engagement was not conducted during the ten-day consultation period.

2.4 The PCC held a virtual question and answer session with members of NALC to engage with the residents of Norfolk, to seek their views on the precept proposal. Alongside this the PCC consulted with the Norfolk Independent Advisor Group and various organisations and partners.

2.5 As standard practice when conducting a public consultation, an Equality

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

2.6 The table below shows response rates to the survey by district.



3. Please note that rounding may cause totals to not add up to 100%, however all responses are included in the tables.

3.1 Panel members are asked to note the results of the consultation.

4. Appendices

Appendix 1 --- Analysis of survey results
Appendix 2--- Precept Consultation Communications Report

Appendix 1 --- Analysis of survey results

Themes from comments

419 respondents left additional comments on a total of 23 different themes. They are ordered in the table below according to the number of people who mentioned them, and the percentage of people who mentioned that theme as a total of all respondents (942) is alongside.

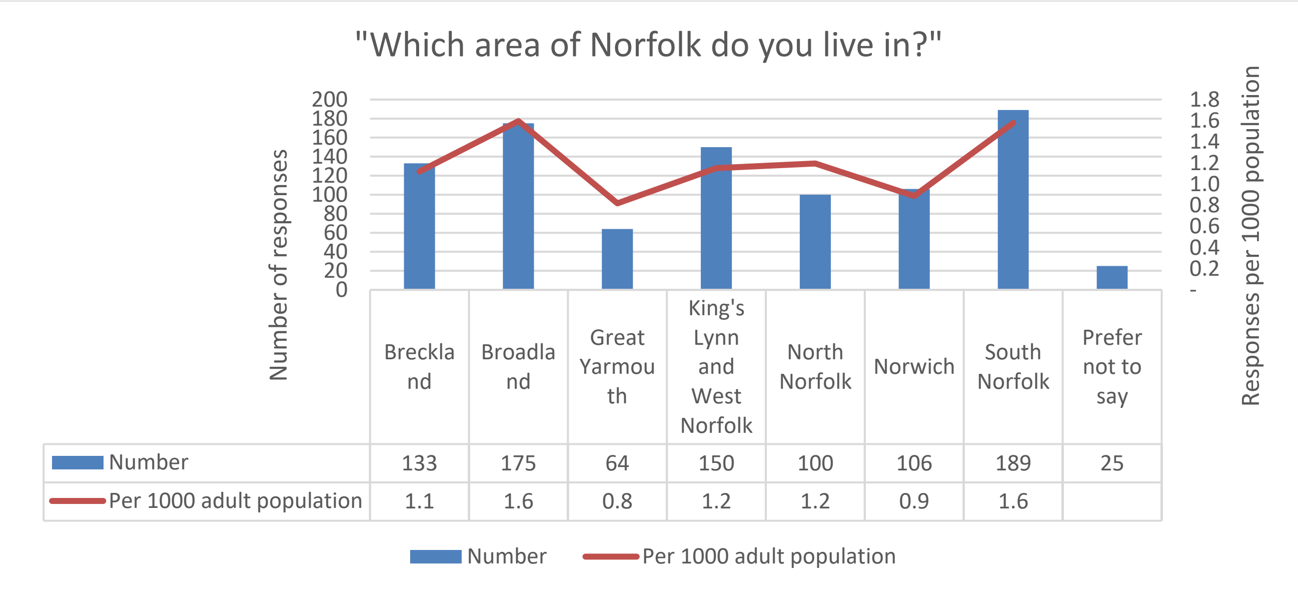
No..	Themes from comments	Number of mentions	Percentage of voters who commented on it (out of 942)
1.	Wants more visible policing, esp. in rural areas	83	8.8%
2.	Increase is too expensive in combination with inflation, energy, food, fuel and National Insurance increases	72	7.6%
3.	Police service costs too much/ should make efficiency savings/ is wasteful	63	6.7%
4.	Angry that council tax goes up every year (don't feel listened to)	59	6.3%
5.	Supports the police and wants them to have all necessary resources, inc. 8 mentions of the impact of austerity	53	5.6%
6.	Not seen positive results from previous precept increases	50	5.3%
7.	Pay/ pensions have been frozen or aren't increasing as much as cost of living (including many comments from police officers and staff)	49	5.2%
8.	Police aren't good at dealing with 'low level' impactful crime (theft, ASB, hate crime)	23	2.4%
9.	Income tax/ central government should pay for police, not council tax	20	2.1%
10.	Wants a clear explanation of where the money will go	19	2.0%
11.	Would be happy to pay more	18	1.9%
12.	Policing has too many managers/ senior officers/ civilian staff	15	1.6%
13.	Cut the PCC and OPCC/ doesn't understand what the PCC or OPCCN does	15	1.6%
14.	Public trust in policing is low, policing needs a significant culture change	11	1.2%
15.	Misunderstanding how council tax works (inc. thinking only homeowners pay it, and that Band B and D properties are being singled out for an increase because they were specifically mentioned as examples)	7	0.7%
16.	Questioning why the police need such expensive vehicles (lots of mentions of BMWs)	7	0.7%
17.	Council tax is unfair (should be recalculated as it is out of date, or should be weighted more towards wealthier people, or the raise should be opt-in)	7	0.7%
18.	Policing involves too much admin	6	0.6%
19.	Council tax increase should be lower (suggestions included a 3.1% increase in line with pensions, or only a 1% increase because of pay freezes)	5	0.5%

20.	Policing needs more digital investment	4	0.4%
21.	Wants to be consulted more often, and for PCC/OPCCN to have a greater outreach into the community	2	0.2%
22.	Wants more focus on early intervention and prevention	2	0.2%
23.	Tourism puts a strain on policing, yet tourists and tourist businesses don't contribute more to it	1	0.1%

Demographics of respondents

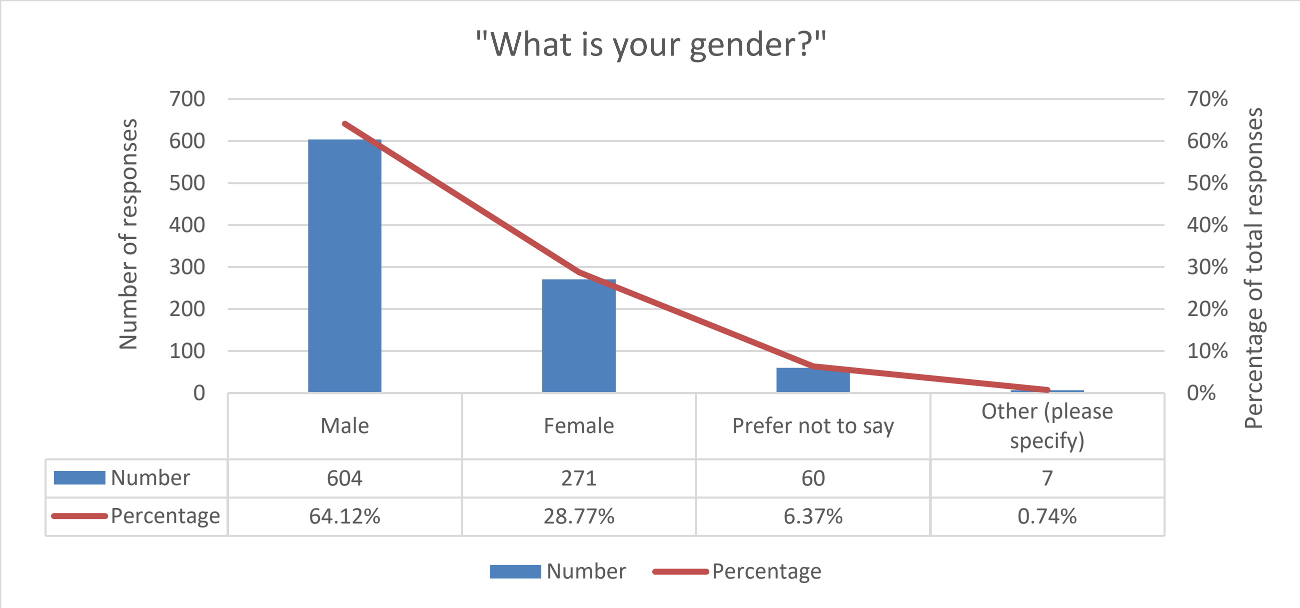
Respondents were asked seven optional questions about where they live and their protected characteristics (gender, age, ethnicity, disability status, sexuality, and religion). These questions are asked because the budget consultation is one of the largest engagement exercises the OPCCN undertakes and it is a valuable opportunity to understand how well we are reaching different communities and individuals in Norfolk. This information can then be used to inform equalities and outreach work undertaken by the PCC and OPCCN. The responses to these optional questions are displayed in the charts and accompanying tables below. All comparative demographic data for Norfolk has been taken from Norfolk Insight.[3] Data is presented as the total number of responses, and either the number of responses per 1000 population or as a percentage of total responses.

District



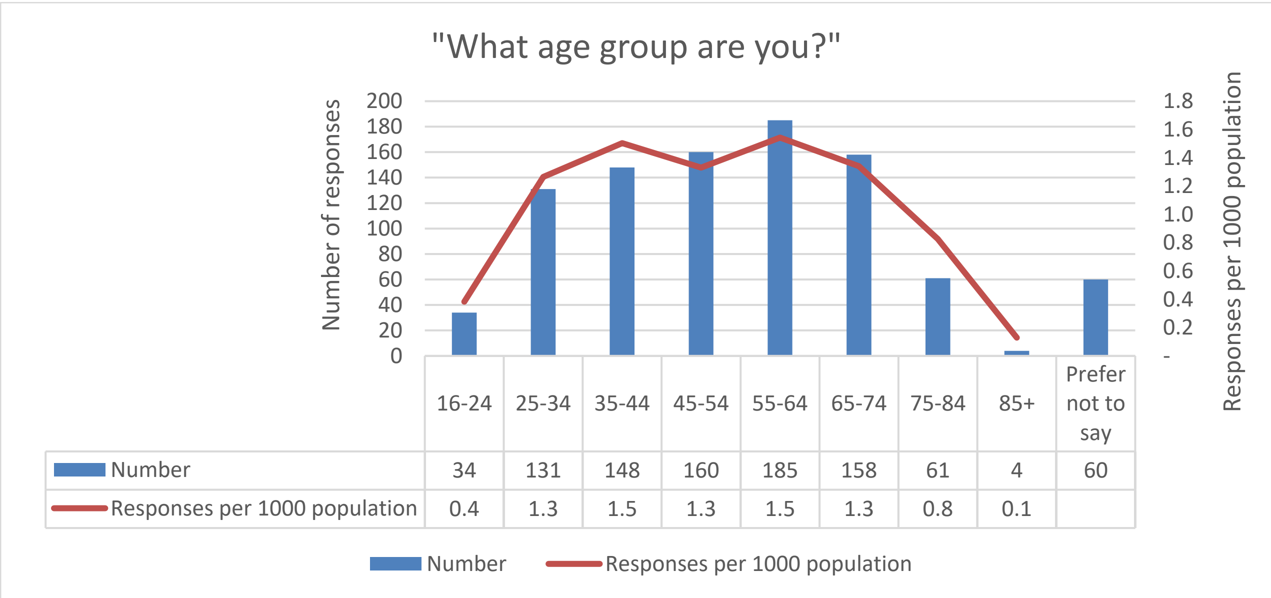
[3] Norfolk Insight - Demographics and Statistics - Data Observatory

Gender



	Male	Female	Prefer not to say	Other (please specify)
Number	604	271	60	7
Percentage	64.12%	28.77%	6.37%	0.74%

Age



	16-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	Prefer not to say
Number	34	131	148	160	185	158	61	4	60
Responses per 1000 population	0.4	1.3	1.5	1.3	1.5	1.3	0.8	0.1	

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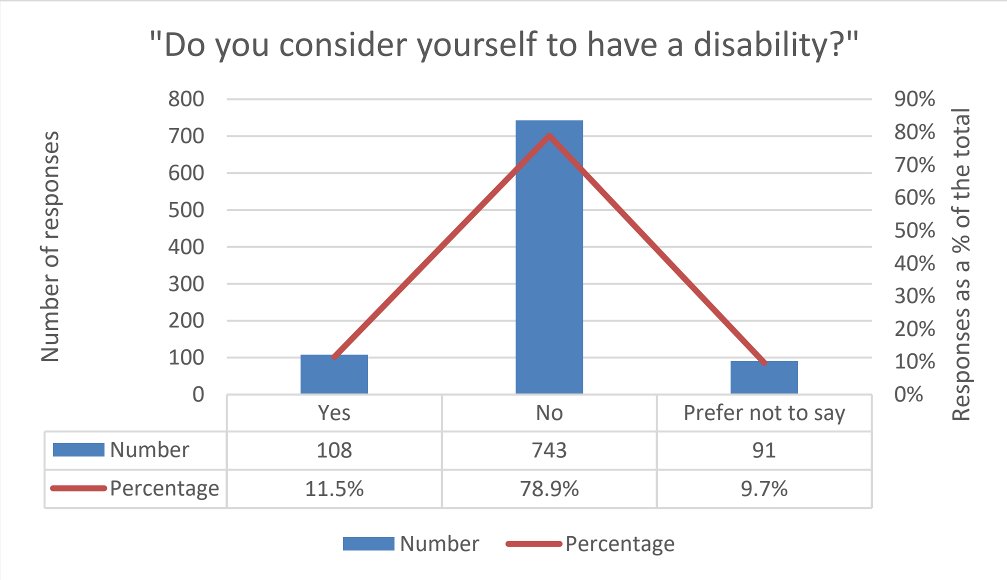
Ethnicity

What is your ethnic group?	Number	Per 1000 population[4]
White - English/ Welsh/ Scottish/ Northern Irish/ British	820	1.0
White - Irish	6	1.6
White - Gypsy or Irish Traveller	4	4.3
White - Other	24	0.8
Mixed - White and Black Caribbean	0	0.0
Mixed - White and Black African	0	0.0
Mixed - White and Asian	3	1.0
Mixed - Any other Mixed background	3	1.1
Asian or Asian British - Indian	2	0.5
Asian or Asian British - Pakistani	2	2.9
Asian or Asian British - Bangladeshi	0	0.0
Asian or Asian British - Chinese	0	0.0
Asian or Asian British - Any other Asian background	1	0.2
Black or Black British - African	1	0.3
Black or Black British - Caribbean	0	0.0
Black or Black British - Any other Black background	0	0.0
Other - Arab	2	2.1
Other - Any other ethnic group	0	0.0
Other - I do not wish to disclose my ethnic origin	74	N/A

Aggregated responses as a % of the total by main ethnic group	2011 census	2022 survey
White	96.50%	90.70%
Mixed	1.20%	0.60%
Black	0.50%	0.10%
Asian/Asian British	1.50%	0.50%

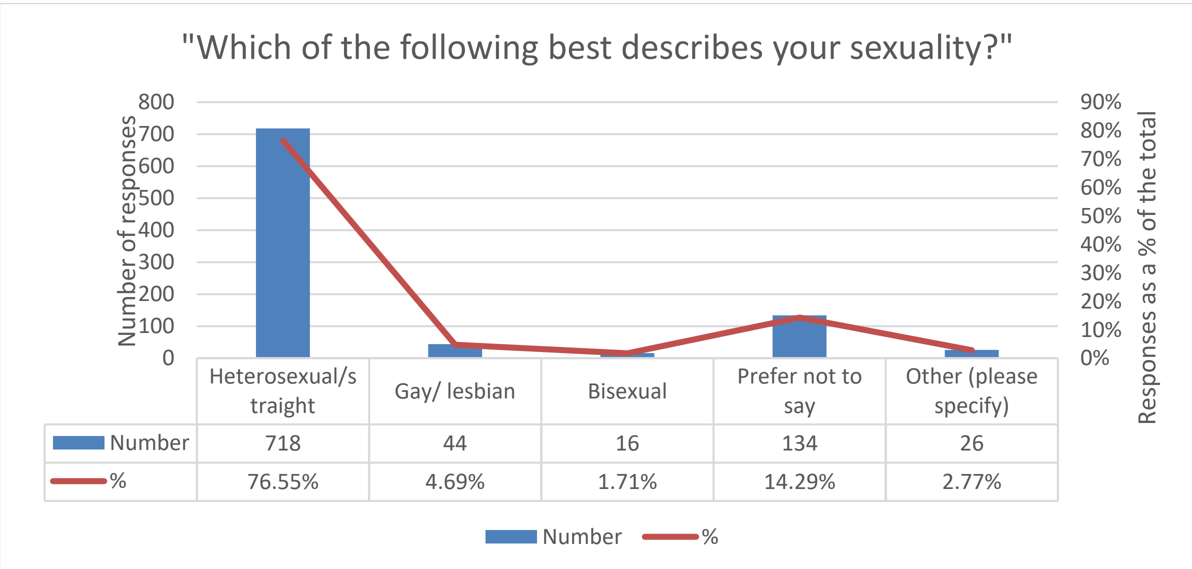
[4] Population estimates are taken from the 2011 census (via Norfolk Insight) and are now likely to underestimate the number of BAME individuals living in Norfolk. The OPCCN acknowledges that these ethnic group categories and the use of the term 'BAME' are currently under scrutiny for their usefulness. This survey used these categories to enable meaningful comparison with previous data sources.

Disability



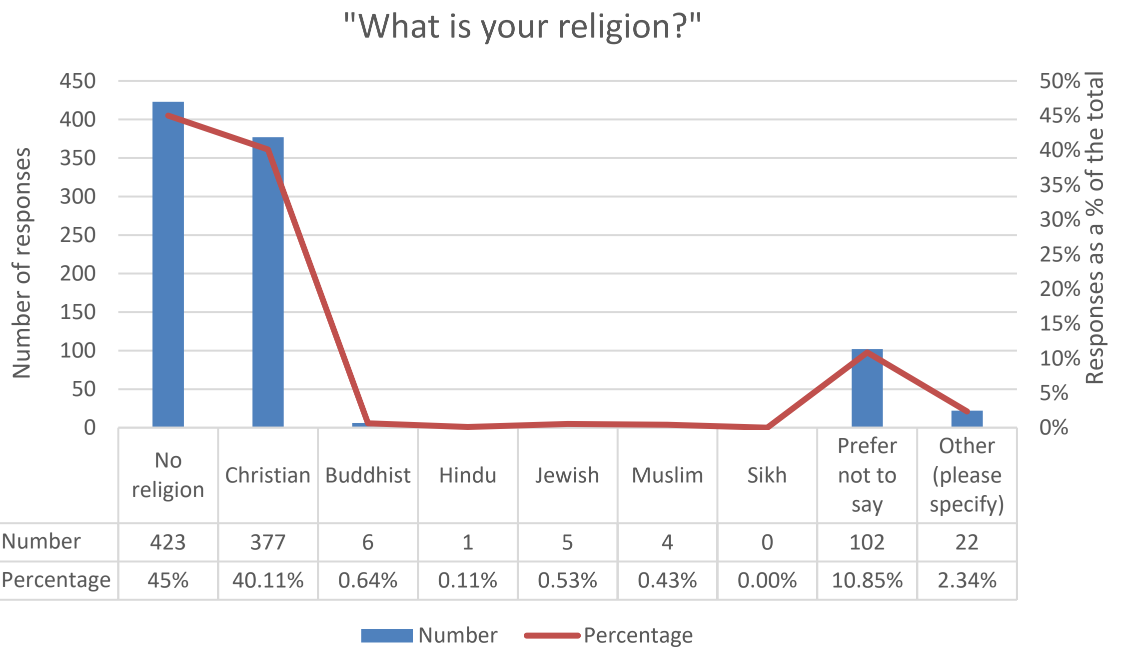
Disability type	Number of people[5]
Physical (inc. cancer, endometriosis, MS, diabetes, and similar)	25
Mobility-related (e.g. joint pain or physical difference)	23
Mental health	8
Neurodivergent (autism, Asperger's, dyslexia, ADHD and similar)	7
Hearing difficulties/ Deaf	5

Sexuality



[5] Totals sum to more than 67 because some people had multiple types of disability.

Religion



	No religion	Christian	Buddhist	Hindu	Jewish	Muslim	Sikh	Prefer not to say	Other (please specify)
Number	423	377	6	1	5	4	0	102	22
Percentage	45%	40.11%	0.64%	0.11%	0.53%	0.43%	0.00%	10.85%	2.34%

Appendix 2--- Precept Consultation Communications Report

POLICE & CRIME COMMISSIONER NORFOLK

Communications Report:
January 4 to January 14 2022

Media coverage:

BBC Radio Norfolk
- Launch day Breakfast Show interview with PCC
- Clips shared on news bulletins throughout the day

Greatest Hits Radio
- Launch day interview with PCC for use on shows throughout the day

BBC Look East
- Featured in news bulletins throughout morning on day two

Eastern Daily Press
- Launch day column from PCC in print and online
- News coverage in print and online

Norwich Evening News
- Launch day column from PCC in print

Potential audience reach:

Radio: 576,000
Television: 1,236,000
Print: 83,153
Online: 350,035

100% of coverage was neutral or favorable in tone

44% of coverage included a call to action

Social media:

	Organic	Paid
Facebook	**Posts:** 9 **Reach:** 444 **Engagement***: 15	**Posts:** 1 **Reach:** 32,066 **Engagement***: 778

Posts: 10
Impressions: 12.739
Engagement*: 299

County-wide posts: 2
Impressions: 22,217
Engagement:** 35

* Link click, profile view, retweet, like, share, comment
** Comment, reaction

OPCCN website:

Main consultation page:
Total page views: 1,028
Unique visitors: 858

Consultation news article:
Total page views: 197
Unique visitors: 178

Top referral sites:
Direct to page
Facebook
Twitter
Google
EDP24
Mailchimp (OPCCN email newsletter)
Nextdoor
Norfolk Constabulary

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