



SURREY POLICE AND CRIME PANEL

PROPOSED PRECEPT 2023/24 3 February 2023

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SUMMARY

1. February 2023 marks the second time I have set the precept for Surrey residents and the budget for Surrey Police. The direct impact of the pandemic fortunately has now passed but this has now been replaced with new concerns and challenges.
2. The national economy has taken a hit due to a number of factors out of our control and as a result this has led to sharply increased utility and fuel prices and inflation at levels not seen for 20 years or more. This is not only affecting the direct cost of providing policing in areas such as transport and operating costs but is also impacting residents who are finding it increasingly difficult to make ends meet. Indeed, many of our Officers and staff are under financial pressures and this makes it increasingly difficult to retain new constables and recruit skilled staff as they can get better paid jobs in the private sector. Coupled to this there is a concern that as some residents struggle even further, they may be drawn into crime as a solution to their financial difficulties or indeed take out their frustration on family members putting more pressure on the Force
3. I continue to support the Government's initiative to put an additional 20,000 Police on the streets by the end of 2022/23. In Surrey we are on target to have 260 additional officers by 31 March 2023 who bring new perspectives and skills to the Force but also challenges in terms of experience and training. However, whilst the Government has increased Police funding by £176m nationally for 2023/24 this is all for Uplift and the £1,900 pay rise given to officers in 2022/23 following a pay freeze the previous year – there is no additional funding to cover cost pressures in 2023/24. The Government clearly expects these costs to be picked up by local Council taxpayers and indeed increased the referendum limit to £15 to try and address this. Such is their confidence in this solution that they include an assumption that all PCCs will increase their precepts by £15 in their public police funding announcements.
4. The outgoing Chief Constable has been very clear in his commitment to my Police and Crime Plan and keeping Surrey residents safe. There has been investment in services to make accessing the Police easier, such as digital 101, and work is being done to increase detection rates and to provide more visible policing. Indeed, the Force and my office were recently recognised nationally with their work on catching catalytic convertor thieves and making the Basingstoke canal safer for women and girls. However, hidden crime continues to rise with increases in cyberfraud and domestic violence demanding specialist officers. The Extinction Rebellion protests diverted significant resources from other policing activities during the year (for which no funding was provided) not to mention

officers being required for the Commonwealth games, COP and Operation London Bridge. Despite everything Surrey still remains one of the safest areas in the country and both the Chief and I are committed to it staying that way. That said the financial pressures the Force finds itself under are unprecedented. Even budgeting for a 2% pay increase, which is well below inflation, and assuming a maximum £15 precept increase the Force will still need to find £17m of savings - this is in addition to the £80m that has already been taken out over the last 10 years. Hence apart from ensuring that net officer numbers stay the same throughout the year the precept will be needed just to sustain the services that we already have. I have however been clear that this does not mean that we cannot review what we spend your money on to reflect your concerns more closely. I will be working with the new Chief Constable to ensure that resources are targeted at areas which concern residents the most and deliver better value whilst ensuring that we continue to meet our statutory obligations.

5. It is my responsibility to ensure that the Chief Constable has the resources he needs to continue to keep the residents of Surrey as safe as possible and to deliver the requirements of my Police and Crime Plan and the Strategic Policing Requirement. Even with a maximum precept increase there will need to be some reductions in Police Staff. These staff form the backbone of the Force and provide services such as Forensics, investigations and Contact that support frontline officers in their work. The Chief Constable has made it clear for every £1 I do not increase the precept this puts at risk a further 30 Police Staff that perform these vital roles and thereby impact the service he is able to deliver. That said I also recognise the pressures residents are under at this time and would rather not have to increase the burden they already have to shoulder. However, my primary responsibility to residents is to ensure they have a Police Force that will keep them safe and enable them to go about their daily business without fear. Given the Chief Constable's concerns and the financial situation the Force is in I feel, regretfully, I have no alternative other than to recommend an increase of £15 per year. This is equivalent to just over 5% which is well below the rate of inflation
6. In order to understand residents views I have also carried out a public consultation and this indicated that over 57% of residents who responded were supportive of an increase in the precept of £15 a year.
7. As well as setting the budget and precept for the coming year, I also have a responsibility to ensure that the Force remains financially sustainable and resilient for the future, despite the uncertain times that we live in. The Medium-Term Financial Strategy (MTFS) – later in this report - estimates the financial challenges the Force faces over the next 4 years. Even with a £15 increase, the Force will still need to make savings. However, this increase does reduce, but not eliminate, the impact of these challenges in the future.

RECOMMENDATION

8. **I, the Police and Crime Commissioner for Surrey, recommend to the Surrey Police and Crime Panel that they endorse/report on my proposal to increase the Band D Surrey Police and Crime Commissioner Precept by £15, a 5.07% increase, for 2023/24 to take the Band D precept from £295.57 to £310.57.**

SUPPORTING INFORMATION FOR RECOMMENDATION

WHERE HAVE WE COME FROM

9. In 2018/19 Government funding for the Police began to increase after many years of zero growth at best. In addition, following intensive lobbying by PCCs at the time, the Government allowed PCCs to increase the Band D precept above inflation. In 2019 the Government announced its objective to recruit an additional 20,000 officers (Project Uplift) over the 3 years to March 2023. This meant in the last 10 years the budget rose from £209m in 2012/13 to £279m in 2022/23.
10. Each Force was given its own allocation of Uplift officers, based on the formula grant, and this is shown in the table below. It is worth stating that as Surrey has the lowest formula grant in the country this meant that it also had the smallest proportionate share of new Uplift officers as well. The table also includes new officers paid for with additional precept from residents

Police Officers Increase	2020/21	2021/22	2022/23	Total
Op Uplift - Local	78	73	98	249
Op Uplift - Region		5	6	11
Precept	26	10	0	36
Total	104	88	104	296

11. At the end of March 2023, it is forecast that there will be 2,263 officers in post compared to 1,874 in March 2019. It is worth stating that it is a condition of the Uplift programme that at least 2,253 officers remain in post for the whole of 2023/24. This means the Force will continue to recruit and train significant numbers of officers to replace those that leave or retire. If this figure is not maintained financial penalties are imposed on the Force by Government.
12. In the last 3 years, because of both Precept and Uplift investment, the Force has significantly increased its resources as shown in the table below. This has had a real impact in the many areas by providing not only more officers on the ground but also the staff to support them in their work. The investment in staff has been funded by increases in the precept.

OFFICIAL

Priority	Team	2019/20		2020/21		2021/22		2022/23	Team Total	Priority Total
		Officers	Staff	Officers	Staff	Officers	Staff	Officers		
Violence against women & girls	Safeguarding Teams (CAT, DAT, HHPU)	3		37	14	19.5	10	8	91.5	135.5
	POLIT & SOIT	1	10	1	2	1	5	24	44	
Protecting people from harm	Intelligence	2				5	13	6	26	214.5
	Divisional Proactive Teams			27		6			33	
	Problem Solving Team	3	3						6	
	Operational Dogs & Drones			4				0.5	4.5	
	Divisional Investigations (CID, NPIT, IRT)	17		21	9	18	18	5	88	
	Op Centurion, DISU & DFT	7			8.5	12	5	10.5	43	
	Firearms & Explosives Licensing							2	2	
	Divisional Performance Teams							3	3	
Communities feeling safe	Custody & Criminal Justice			1	5	1	1	1	9	74
	Specialist Neighbourhood Teams	33		8	4			22	67	
	Volunteer Team			2	2				4	
	Rural Crime Team					3			3	
Relationships with communities	Contact & Deployment				6	2	4		12	15
	Corporate Communications						3		3	
Safer Roads	Roads Policing (Op Vanguard)					12			12	12
Organisational Effectiveness	Professional Standards Dept			1			4	4	9	16
	Police Federation							1	1	
	Corporate Development				3		3		6	

Key: CAT – Child Abuse Team; DAT – Domestic Abuse Team; HHPU – High Harm Perpetrator Unit; POLIT – Peadophile Online Investigation Team; SOIT – Sexual Offences Investigation Team; CID – Criminal Investigation Department; NPIT - Neighbourhood Policing Investigation Team; IRT – Incident Review Team; DISU – Digital Investigation Support Unit; DFT – Digital Forensics Team.

13. These extra officers and staff have been essential in meeting the increased demands on the Force, in particular protecting people from harm by providing more local policing resources as well as improving its diversity. Due to the large number of officers recruited in a very short space of time this has also given the Force a younger age profile with more graduates in the ranks but also with less experience and policing knowledge.

WHERE ARE WE NOW

14. The police service has faced extraordinary challenges and pressures during the Covid pandemic which fortunately looks to have receded in 2022/23. As the country came out of lock down crime started to increase with rises in serious sexual offences, domestic abuse and serious violence as victims felt more confident reporting crime. Burglary and vehicle crime did not recover their pre pandemic volumes probably reflecting the change in working arrangements as a result of the pandemic. Due to a shortage of detectives and investigative officers, which the Force is addressing through training, and continued delays in the Justice system outcome rates continued to be low.
15. Surrey is especially vulnerable to criminality related to our proximity to London, our strategic road network and our relative affluence. County lines drug dealing is a relatively modern form of drug dealing which has a highly resilient business model. The overwhelming majority of lines are controlled from London using easily replaceable 'runners'. Dedicated investment to tackle county lines in partnership with Metropolitan Police has resulted in 151 separate disruptions against 58 county lines. By working with MPS colleagues we are able to act against those who control the lines, rather than simply targeting the street-level dealers many of whom are vulnerable youngsters.

16. The M25 and its services have become a focal point for environmental protests which have been highly disruptive and attract significant media attention. Surrey Police, through our collaboration with Sussex, can quickly mobilise specialist officers to police such protests to bring these to a swift conclusion, however this is a new type of protest activity which seems to be attractive to activists who have no other criminal background but who are willing to be arrested and gain a criminal record.
17. As the economy recovered labour shortages began to impact the Force. This was evidenced not only by increased difficulty in attracting new officers for Uplift, although it is predicted the Force will achieve the 2022/23 the target, but also by the rising number of vacancies in Police Staff leading to a short fall against establishment of 249 by October 2022. This shortfall was particularly felt in areas such as contact which resulted in increasing answering times for 101.
18. The changing nature of technology and its use presents new demands and challenges to policing. It is now unusual for a crime not to have a digital element to it, and as such data and technology literacy are now core foundation skills for policing. Equally many people now prefer digital methods of contact rather than telephone or in person. This provides significant new opportunities for engagement and digital transformation, all of which require investment in technology and training.
19. New ways of working, adopted as a result of the pandemic, have now become the norm. Remote working has been adopted by large numbers of officers and staff resulting in a reduction in space required for the new HQ. In addition, more applications have been made available to officers to enable them to do their job more easily whilst out and about rather than having to return to the office. Despite continued investment in ICT there have been challenges given the large number of old applications the Force uses and the difficulty in attracting suitably qualified staff – this has meant that some initiatives have not advanced as quickly as the Force would have liked.
20. Increases in demand and complexity has impacted almost every area of our business. Recorded Crime has increased by 7% over the year as the lockdown has ended to 71,120. This does not mean that Surrey has become more dangerous but rather residents find it easier to report crime. Surrey still remains one of the safest places in the country – however this is not a reason to be complacent. For example, work on stopping county lines has ensured that drug offences have continued to fall since the pandemic.
21. During the year an HMICFRS inspection graded Surrey in a number of areas as follows:

Theme	Grade
Engaging with the public with fairness and respect	Good
Preventing Crime and anti-social behaviour	Outstanding
Responding to the public	Adequate
Investigating Crime	Good
Protecting Vulnerable People	Good
Managing suspects and offenders	Requires Improvement
Building Supporting and protecting the Workforce	Adequate
Strategic Planning, organisational management and value for money	Adequate

Despite there being a few areas which need to be improved overall this was a very good result especially in areas likely to be of particular concern to residents such as “Preventing Crime and ASB” and “Engaging with the public”.

22. As a result of a number of factors out of the Force’s control public finances have continued to be squeezed. The Government has said that there will be zero growth in public spending, with the exception of Health and education, in order to reduce the level of borrowing. This freeze on funding coupled with double digit inflation has put severe pressure on Police finances. In addition, as criminals become more sophisticated and increasingly international the cost of investigating these crimes is also rising. This has made it increasingly challenging to balance the public’s expectation around traditional police activity against ‘hidden’ crimes such as modern slavery, cyber, fraud, domestic abuse, and child sexual exploitation.
23. Surrey Police continues to focus on making Surrey a county that is safe and feels safe, in line with “Our Commitments”, setting out the Force’s strategy as commitments to our communities, our Force and our people. The Force continues to use this framework to focus activity and governance:
- Our Communities
 - Prevent crime
 - Protect our communities
 - Pursue offenders
 - Our Force
 - Prevention
 - Partnership
 - Potential
 - Our People
 - Professional
 - Proud
 - Inclusive

These commitments complement my Police & Crime Plan priorities and form part of a joint vision of a Force fit for the future.

24. In the autumn of 2021, the Government announced a 3-year spending review for the Police. This stated that direct Police Funding would rise by £550m in 2022/23, £650m in 2023/24 and £800m in 2024/25. The Chancellor announced in his mini budget that this would be honoured but there would be no new funding for inflation. However, allocations for each Force are only released on an annual basis which makes financial planning difficult. A special grant was given to help with the cost of the pay increase awarded in 2022/23 funded by cutting other expenditure grants awarded by the Home Office.
25. The Government has continued to work on its review of the Police Funding Formula. This is due to be completed in time for the next election. A consultation on some of the principles is due to take place early in 2023 with more detailed exemplifications later in the year. The PCC supports an updating of the formula but recognises that a fundamental redesign could have negative implications for Surrey depending on the methodology employed. She will continue to lobby local MPs and Ministers to ensure that Surrey is not disadvantaged, given we already have the lowest level of funding per head in the country, when the final formula is revealed, and decisions are being made.

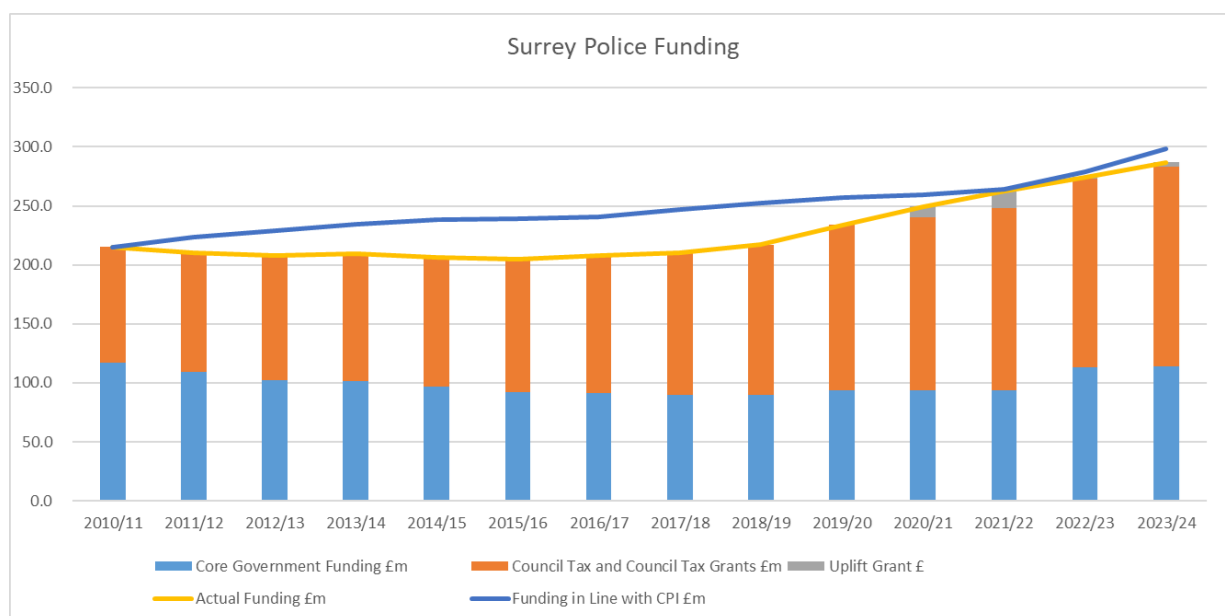
CURRENT FUNDING POSITION

26. As stated above the Government announced a 3-year funding settlement for public services, including the Police, in December 2021. This set out the total funding envelope for each year together with a commitment to set the referendum limit for Council Tax at £10pa. In the 2022 Autumn Statement the Chancellor confirmed that the funding settlement would be honoured.
27. In November 2022 the National Police Chief's Council (NPCC) conducted a survey across all Forces to gain a better understanding as to the forthcoming pressures on Police Finances in 2023/24. This indicated that there was a £492m budget gap, due to pay, inflation and energy, and this was used as evidence to make representations to government.
28. As a result of representation from the Association of Police & Crime Commissioners (APCC) and the NPCC the Government agreed on the 12 December 2022 to increase the Council Tax referendum Limit to £15. However, the Minister made it clear that precept flexibility was not meant to be used in place of "sound financial management" such as reporting budgets and efficiencies. That said a £15 increase was assumed in all of the funding announcements made by Government.
29. On the 14 December the Minister of State for Policing and Crime, Mr Chris Philp, announced the Provisional Police Grant report for 2023/24. In it the Minister said:
- "This settlement will support the police to do their vital job to cut crime and keep people safe. I would like to express my gratitude and pay tribute to our dedicated police officers and staff for their exceptional commitment and bravery."*
30. Government funding to PCCs increased by £174m to £9.8bn. The increase was made up of £100m for Uplift, £140m for the 2022/23 Pay increase less £66m for the 1.25% increase in national insurance that was cancelled. This increase equated to 1.8%. Hence there was no additional funding, save for the £100m Uplift already announced, to cover additional costs and inflation in 2023/24. These would all need to be met by increases in Council Tax and efficiencies.
31. £1.114bn was top sliced from Police funding to fund national programs such as technology, the Regional Organised Crime Unit (ROCU), Fraud etc. A further £1bn was put into counter terrorism.
32. Were all PCCs minded to take up the full £15 increase in precept, as has been assumed by Government in its announcements, this would result in an additional £349m being available for Forces bringing the total increase in funding to £523m or 3.6%.

33. For Surrey the actual settlement is shown in the table below:

Funding	2022/23 - Final £m	2023/24 – Provisional £m
Principal Funding	76.6	76.9
Revenue Support Grant	34.9	34.9
Legacy Council Tax Grants	9.2	9.2
Operation Uplift	1.7	3.6
Pension Grants	2.0	2.0
Total	124.4	126.6
Increase		2.2

34. The Uplift Grant is ringfenced and contingent on delivery and maintenance of Uplift headcount during the year. If Uplift is not maintained, for Surrey 2,263 officers throughout the year, then this grant is clawed back – details of the actual mechanism for this are still awaited. The additional money granted for the 2022/23 pay rise of £1.9m has been added to the Uplift ringfence even though it is not Uplift related. This means this money could be at risk in future years when Uplift finally ends. As can be seen given that £1.9m was awarded for 2022/23 pay rises and there are the new officer costs there has been no increase in funding to cover 2023/24 pay and cost pressures.



35. The Graph above shows the total funding for Surrey Police broken down between Council Tax (assuming a £15 increase for 2023/24) and Government Grant and compares this with what funding should be had it increased in line with CPI since 2010/11. What this shows is that there has been no real terms growth in funding up to 2021/22 and as inflation has started to increase a new gap is again starting to develop going forward. Given this was based on the inflation figures as at October 2022 the gap is likely to be much larger

36. It is also clear that over the years a greater proportion of the cost of Policing has fallen on Council Taxpayers rather than Government. Certainly between 2022/23 and 2023/24 Government funding has remained virtually flat with any increase in resources coming from Council Tax – especially now that the referendum limit has been increased to £15.
37. No capital grant funding is provided by Government to individual Forces and all capital expenditure has to be funded from revenue, asset sales and borrowing. £104.9m has been provided for national programs as follows:

Police Capital	2023/24
	£m
National Police Air Service	11.7
Arm's Length Bodies	5.4
Police Technology Programmes	72.2
Crime Reduction Programmes and Capabilities	15.6
Total	104.9

This represents a reduction of £84m when compared to last year.

38. Nationally the Home Office top sliced or made reallocations of the Police funding of £1,114m in 2023-24, a reduction of £260.0m, including the new capital reallocations of £104.9m.

Top Slicing / Reallocations	2022-23	2023-24
	£m	£m
PFI	72	71.6
Police Technology Programmes	607	526.4
Arms-Length Bodies	69	74.7
Top-Ups to NCA and ROCU's	33	
Police Special Grant	62	50.0
Police Uplift Programme	12	
National Policing Capabilities	11	
National Capabilities Programme	65	69.3
Police & CJS Performance	13	
National operational policing units	3	
Forensics	26	20.6
Police Now	7	
Crime Reduction Programmes	46	
Crime Reduction Capabilities	13	18.4
Fraud	23	18.1
Rape Review	12	
Serious Violence Strategy	50	45.6
Drugs / County Lines	30	30
Regional and Organised Crime		39.5
Counter Terrorism	32	
NPCC Programmes		9.5
Cyber Crime		14.1
Tackling Exploitation and Abuse		21.3
Capital Reallocations	188	104.9
Total	1,374	1,114

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39. PCCs and other interested parties were invited to respond to the Provisional Settlement by the 13 January 2023. I responded directly to the Minister setting out my concerns and in particular highlighting:

- the funding of spending pressures such as inflation and in particular pay;
- the continued shift of the cost of Policing on to residents through Council Tax and;
- the size of the financial penalties in respect of non-delivery of Uplift

The full response is attached as Appendix E

CHIEF CONSTABLE'S BUDGET REQUIREMENT FOR 2023/24

40. On the 13 December 2021 I launched my Police and Crime Plan for Surrey. This sets out the priorities I wanted the Chief Constable to concentrate on from 2021 to 2025. The full plan can be viewed by following this link: [Police-and-Crime-Plan-2021-25-1.pdf \(surrey-pcc.gov.uk\)](https://www.surrey-pcc.gov.uk/pcc-and-crime-plan-2021-25-1.pdf). The key priorities are:

- Preventing violence against women and girls in Surrey;
- Protecting people from harm in Surrey;
- Working with Surrey Communities so they feel safe;
- Strengthening relationships between Surrey Police and Surrey residents;
- Ensuring safer Surrey roads

41. The Force has an obligation to have regard to the nationally-set Strategic Policing Requirement which sets out the strategic priorities and threats that need to be addressed in the coming year, as well as meeting its statutory obligations

42. In preparing the 2023/24 budget for the Force, the Chief Constable has taken account of the priorities within my plan and operational requirements and the resources that are required to deliver them. This is reflected in his budget requirement for 2023/24 and the resulting precept increase this requires.

43. Last year I approved a total budget of £279.1m for Surrey Police and the OPCC. This year, in order to meet his operational requirements, the Chief Constable has proposed a budget of £288.7m representing a net increase of £9.6m as follows:

Category	£m	£m
2022/23 Revenue budget		£279.1
Adjustments:		
Pay Inflation	9.3	
Price Inflation	1.3	
Base assumptions	1.2	
Unavoidable costs	2.2	
Cost of Change funded from revenue	0.8	
One off items reversed from last year	(3.6)	
Total Cost Increases	11.2	

Less: Savings	(1.6)	
Total growth in budget		9.6
2023/24 Revenue Budget Proposed		£288.7

44. The main changes are as follows:

- Pay Inflation - Pay increase for 2022/23 not budgeted for plus 2% pay rise for 2023/24
- Price Inflation – Energy and fuel increases (£740k) plus other contractual increases
- Base Assumptions – Increases in South East and Shift allowances, increments less extra NI budgeted for in 2022/23 and fuel allowance
- Unavoidable costs – South East Regional Organised Crime Unit (Serocu) contribution, Estate's strategy costs, Training, Occ Health, People Services, External Audit and ICT licence costs

45. Officer pay is determined nationally by the independent Police Pay Review Body and the outcome of this is binding on all Forces. Police Staff pay increases usually mirror Police Officers although this is subject to separate negotiations. The Government, whilst not indicating its preferred percentage pay increase, has assumed 2% in the CSR and asked PCCs to budget "appropriately". It has also asked the Pay Review Bodies to be mindful of inflationary pressures. With that in mind it has been assumed that pay will increase by 2% next year, based on the Government's own assumptions in the Spending Review, however there is a risk that it could be more. Were this to be the case each additional 1% would cost approximately £2.3m and need to be funded by reductions in Police Staff and efficiencies if additional Government funding was not provided. This would ultimately result in Police Officers doing more work which could be done by police staff, thereby reducing the number of officers on the street and increasing inefficiency. Whatever the financial constraints on pay the Force is finding it increasing difficult to recruit to skilled roles in a market where private sector pay is rising so fast. This has resulted in the number of vacancies rising over time.

46. It is proposed that the police budget will be funded as follows:

Category	2023/24 £m	2022/23 £m
Government Grants	126.6	124.4
Use of Reserves	1.0	3.7
Collection Fund	1.5	0.8
Council Tax	159.6	150.7
Total Funding	£288.7	£279.1

47. This funding (and the budget) assumes that I take full advantage of the Council tax flexibility given to me by Government as recommended by the Chief Constable.

48. In the context of the 2023/24 national policing settlement, my Police and Crime Plan and the Operational requirements of the Force, I believe that the Chief Constable has presented a compelling case to me for taking advantage of the full precept flexibility i.e., an increase of £15 a year should I be minded to do so.

49. Although not required for the purposes of this report, the Chief Financial Officer will be required to report on the robustness of the budget and precept calculations before I approve the budget and precept in accordance with section 25 of the Local Government Act 2003. He has said that there is a major risk in respect of pay where only a 2% increase has been budgeted for in line with Government assumptions within the settlement.

However reserves are available, should the independent pay review body approve a higher figure, in the short term and then further savings would be required. Having taken this in to account I can report that my Chief Finance Officer has given me an assurance that the estimates used are robust as they are based on the same methodology used successfully in previous years when consistently expenditure has been kept within budget. A schedule of projected reserves is included as Appendix C

50. A summary of the entire budget is shown in Appendix A.

SENSITIVITY OF ASSUMPTIONS

51. The assumptions within the budget are set out in Appendix B2. Any variations in these assumptions could lead to an increase or reduction in costs as set out in the table below:

Sensitivity Analysis	2023/24
1% Officer Pay	1.4
1% Staff Pay	0.9
1% Officer Pension	0.8
1% Staff Pension	0.7
1% Officer vacancy rate	1.2
1% Staff vacancy rate	0.8
1% Inflation non pay	0.5
1% Grant	1.2
1% Precept	1.5
£10 Precept = 3.4% increase from 2%	2.1

52. Any change in these assumptions would alter the level of savings required to balance the budget

BUDGET SAVINGS AND USE OF RESERVES

53. One of the ways the Force has continued to deliver growth to the front line has been through the delivery of savings and efficiencies. Whilst many efficiencies have been achieved, I believe that there is more that can be done as the Chief and I have a responsibility to ensure that residents' money is spent wisely. Since 2009/10, over £83m has been delivered in savings which has been reinvested into police services. Some of this has come about through major reorganisation and some through tactical actions. This is shown in the graph below



54. Given the level of savings that have already been achieved the Force, jointly with Sussex Police, Surrey Police has commissioned outside specialists to assist with a programme of transformational change. This used their wide-ranging expertise in public sector transformation and access to industry standard data within a critical, in-depth review of service delivery. This identified a range of opportunities for change and cashable savings, contributing to the following outcomes:

- A reduced and simplified IT estate with more shared use of systems
- Greater automation that frees up capacity and improves service delivery
- A workforce that has ready access to data and technology to do their jobs
- Better ability to manage and understand demand to ensure efficient use of the workforce
- Beneficial collaboration that works for both Forces
- Greater grip of assets and contracts that meet changing demand and are of best value
- A workforce that has clear purpose and the appropriate skills.

55. The 2022/23 budget includes a balancing figure of £1.4m of savings even with the maximum precept increase. This can, temporarily, be covered with the underspend in 2022/23 although a more sustainable solution will be required to be found over the year from a number of tactical reviews. It will be one of the main objectives of the new Chief Constable to put the Force on a financially sustainable footing. It is also worth reiterating that each 1% increase in the pay settlement above the 2% allowed for would increase the savings required by £2.3m

56. The table below shows the movement in earmarked reserves as a result of this:

*estimated	2022/23	2023/24	2024/25	2025/26	2026/27
	£m*	£m*	£m*	£	£
Earmarked Reserves					
OPCC Operational Reserve	1.0	1.0	1.0	1.0	1.0
PCC Estate Strategy Reserve	2.0	2.0	2.0	0.8	0.8
PCC Cost of Change Reserve	3.2	1.1	1.1	1.1	1.1
Chief Constable Operational Reserve	1.9	1.9	1.9	1.9	1.9
COVID19 Reserve	1.7	1.7	1.7	1.7	1.7
Insurance Reserve	1.9	1.9	1.9	1.9	1.9
Police Pension Reserve	0.8	0.8	0.8	0.8	0.8
Capital Receipts & Grants Combined	-	-	-	-	-
Total Earmarked Reserves	12.3	10.3	10.3	9.1	9.1

57. Reserves are divided between earmarked, which are set aside for a particular purpose, and general which are available for any unforeseen circumstances. It is best practice that Forces have as a minimum general reserve equivalent to 3% of their net budget. Surrey does fulfil this requirement however, this is contingent on the delivery of future savings to cover any current and future budget gaps.

OPCC BUDGET

58. The total budget set out earlier in this paper relates to the entire OPCC group i.e., includes both the OPCC and the Force. In 2022/23 the OPCC net budget was £3m which included not only the operational costs of the OPCC but also commissioned services. For 2023/24 it has been assumed the OPCC staff will receive a pay rise in line with Police staff leading to an increase in costs of £90k. Inflation in areas such as utilities and office costs has added a further £6k. In addition, the contribution to Police Federation subscriptions for Special Constables has doubled to £46k as it was originally assumed that these would be at a reduced rate, but this did not prove to be the case. Some of these increases have been offset by reductions in areas such as professional advice and legal fees giving an overall budget of £3.047m. This is summarised in the table below:

	2022/23 £m	2023/24 £m	Change £m
OPCC Net Operational Costs	1.454	1.540	0.086
OPCC Net Commissioned Services	1.551	1.507	(0.044)
Net OPCC Budget	£3.005	£3.047	0.042
%age of Group Budget	1.08%	1.06%	

IMPACT OF A REDUCED PRECEPT INCREASE

59. As PCC, I have a responsibility to residents as well as the Force when considering an increase in the precept. In my meetings with the Chief Constable, I have discussed in detail his requirements over the next year and in particular I have asked him to set out the impact of reducing the precept by £1 would have on Force operations.

60. He has told me that a £1 reduction in precept is equivalent to £0.5m and so, given Police Officers are ringfenced due to Uplift, the only place additional savings can be found is from Police Staff and other costs. Given there is already a lot of collaboration and indeed most enabling services, such as ICT, vehicles, estates, finance etc are already collaborated, savings could only be realised through a reduction in Police staff headcount of around 30 members of staff. Police staff form the backbone of the Force and provide a variety of different function to support the organisation as follows:



61. To put the reduction of 30 staff into context this could represent:

- 3 Victim and Witness Care Staff who deal with over 400 victims a year
- 6 Force control room operators which would be a reduction of more than one operator per shift
- 6 community support officers losing 17,000 hours of community engagement reducing ASB, violence and drug related crime
- 12 Contact Centre operators equivalent to 2 per shift leading to increase waiting times

62. Given the level of savings that already have to be delivered assuming a maximum precept the Chief Constable remains of the view that in order to fulfil his operational requirements, the budget needs to include the benefit of a full precept increase of £15.

63. Having considered the implications of adopting a reduced precept increase I am of the same view in that, whilst recognising the impact this has on residents, in order to sustain our operational capability and deliver my Police and Crime Plan the full increase of £15 needs to be applied. This also aligns with the assumptions made by Government in the funding they have announced for Forces across the country.

64. However, residents do expect to get value for the money from the resources they give the Force and so I will expect the Chief Constable to continue eliminating waste and driving efficiency in order to meet the financial challenges we have and prioritise the front line

65. Finally, it is worth noting that a £15 represents an increase of just over 5% which is well below the rate of inflation

COLLECTION FUND AND TAX BASE

66. Collection Fund and Tax Base information is still awaited from a number of Boroughs and Districts. Based on the information received there is likely to be at least a £1.5m surplus on the Collection fund that has been included within the budget. The information as received is reflected within the budget and is set out in Appendix D

THE 2023/24 CAPITAL BUDGET

67. Although there is no requirement for me to share the proposed Capital Budget with this Panel, in the interests of completeness and transparency I am including it for your information. Government funding for Capital has gone from £626k in 2019/20 to zero now. This means that all capital expenditure must be funded from a combination of capital receipts, revenue contributions and borrowing. The Force does not hold any capital receipts in reserves.

68. As capital schemes are managed over a longer period than one year, the capital budget for 2023/24 is set out within the context of a five-year planning period, which governs the overall management of the capital programme and influences the construction of each individual year's capital budget.

69. The table below outlines the proposed capital budget for next year (and an estimate of the 4 years beyond with totals given for each of the areas in which capital investments will be made).

Surrey Capital Programme Summary	Year 1	Year 2	Year 3	Year 4	Year 5
DESCRIPTION	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
DDaT Renewals	0.9	1.6	1.6	1.6	1.6
DDaT New Schemes	0.2	0.2	0.2	0.2	0.2
Business Led IT Projects - ERP	1.4	0.7	-	-	-
Fleet Replacement and Equipment	6.1	6.1	6.6	5.4	5.4
Estate Strategy	4.9	17.9	23.0	21.0	0.1
Cost of Change	0.5	1.0	2.9	-	-
Equipment	0.4	0.2	0.2	0.2	0.2
Total	14.4	27.6	34.4	28.4	7.5

The main areas of spend proposed for 2023/24 are:

ICT – in accordance with the DDaT Strategy

- Hardware Refresh including servers
- WIFI Upgrades
- Update of legacy ERP systems

Fleet – in accordance with the Fleet Strategy

- Provision of replacement vehicles including adaptation for ANPR and telemetry. This includes some the initial costs of transitioning to net zero vehicles

Specific Capital Schemes – Operations

- Operations Command Equipment
- Drone Replacement
- ANPR

Estates

- Continued delivery of Surrey Estates strategy including the new HQ
- Chertsey and Reigate roof replacement
- Body Armour

70. The funding of Capital continues to be a challenge and schemes will need to be funded by revenue or borrowing. This means that any new proposal outside day-to-day operations will either need to generate sufficient returns to enable the borrowing to be financed or be funded from revenue.

71. Copies of the PCC's Capital Strategy and Treasury Strategy are available on the OPCC website

MEDIUM TERM FINANCIAL PLAN

72. Although not required to be presented to this Panel, I think it is important that Members are aware of the potential financial challenges the Force faces over the next 4 years. As I am sure members can appreciate, it continues to be difficult to make any predictions of the future given that although we have a 3-year spending review, detailed figures are only produced each year and the review period itself only has one more year to run. However, based on "best guess" assumptions the Force will need to find significant savings as set out in the table below:

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Savings	1.6	7.5	3.5	4.4	17.0

73. Any reduction in the precept or cost increases would add to the savings required. Aside from the £150m within the spending review promised for 2024/25 any investment in service Improvement can only come from the delivery of efficiencies and the reinvestment of these in services. I will be working closely with the Chief Constable to continue to drive savings and efficiencies to maintain the frontline services residents' value and to ensure that the Force remains financially sustainable.

74. A summary of the MTFP, risks and associated assumptions is shown in Appendix B

PUBLIC ENGAGEMENT AND PRECEPT CONSULTATION

75. On the 20 December 2022 I launched my consultation on the Precept. This gave residents 3 options namely support an increase:

- up to £10,
- between £10 and £15
- £15 exactly.

Residents were also able to say what their policing priorities were and leave comments in a free text box. The survey was promoted as widely as possible through local media such as In the Know, Next Door, Facebook, Twitter, Force, Councillors and OPCC contacts etc.

76. In all 3,114 responses were received, compared with 2,645 last year, the results were as follows:

- 57% were supportive of an increase of £15
- 12% were supportive of an increase of between £10 and £15
- 31% were supportive if an increase of less than £10

Hence there is a clear majority for an increase of £15.

77. Only 1,612 respondents, just around half, left comments and the main topics were:

- 18% are supportive; many are reluctant and/or conditional on outcomes/visibility improving
- 13% are about visible policing – less than last year, but same level as 2021/22
- 10% mention cost of living pressures
- 10% are dissatisfied with the service

78. Respondents were also asked to list their priorities for Policing in the next year. The main areas mentioned were burglary and ASB, followed by drugs, neighbourhood crime prevention and serious and organised crime.

79. I would like to thank those residents that took the time to complete the survey and comment. I will read all the individual comments from residents so that I can take their concerns on board over the coming year.

LEGAL CONSIDERATIONS

80. The Police Reform and Social Responsibility Act 2011 requires the Police & Crime Commissioner (PCC) to notify the Police & Crime Panel of the proposed precept for the coming financial year by the 1 February. The Panel is required to respond with a letter to the PCC by the 8 February on the proposed precept, whether it vetoes or not.

81. If the Panel accepts my proposal or puts forward an alternative, but does not veto, then I must respond to their letter and can then decide to issue a precept notice for my original proposal, or the alternative recommended by the Panel.

82. In order to veto my proposal at least 2/3rds of the total membership of the panel, not just those present, would need to vote in favour of a veto and the panel must set out its reasons for the veto and proposals for a revised precept in a letter by the 8 February. I then have to respond to this, and issue a revised precept taking account of the panel's comments, by the 15 February. If the original precept was vetoed because it was too high, the revised precept cannot be higher and if the original precept was vetoed for being too low it cannot be any lower.
83. The panel must review the revised precept by the 22 February and indeed a meeting of the panel has been scheduled in for this on 17 February 2023. The panel must then make a second report to me by the 22 February indicating whether it accepts or rejects the revised precept and also whether it makes any recommendation on the precept to be issued.
84. I have to consider and respond to this report by the 1st March. However even if the Panel does not accept the revised precept, I can still issue it or a different one, considering the Panel recommendations. I have to do this by the 1 March to ensure that District and Borough Councils have time for billing. However, even this date will put pressure on Districts and Boroughs to print and issue bills in time for the new financial year so I hope that the panel will come to an agreement before that stage.
85. In addition, it should be noted that the Government has set the "Referendum Limit" at £15 for 2023/24. Any increase above this amount will be subject to a local referendum at the Force's expense. If a precept increase is set below this limit, it is not permitted to carry forward "unused" precept flexibility from one year to another.

CONCLUSIONS AND PRECEPT PROPOSAL

86. There is no doubt that the increase in the cost of living driven by rising interest rates and inflation is impacting people across Surrey. Hence asking residents to pay more for their Policing over the next year is incredibly difficult. That said our own Officers and Staff are also being impacted and the precept is required to maintain services as a result of increased pay, which our employees deserve, and rising costs.
87. In percentage terms a £15 increase is equal to 5.07% which is significantly less than inflation. Other than Uplift the Government has not increased its funding to the Force to cover increased costs for 2023/24 and indeed has assumed that all PCCs will increase their precept by £15 to meet these challenges
88. Residents across the county have consistently told me that they really value their police teams and feel reassured seeing them in our communities. In 2021, following a consultation with residents, I approved an ambitious Police and Crime Plan and major strides have been made to deliver this. However, it is the view of the Chief Constable that this progress may be put at risk if the precept is not increased. My consultation with the public has shown that 57% of respondents are in favour of an increase of at least £15 a year.
89. I have asked the Chief Constable what the impact of lower precept increase would be on the Force. He has set out clearly the operational impact this would have on the Force, the service provided to residents, the Strategic Policing Requirement and the delivery of my Police and Crime Plan. He remains of the view that only a £15 increase in precept will

sustain the services currently provided, even though savings will still be required, and that is his recommendation to me.

90. The Force has set out in the Medium-Term Financial Forecast the ongoing requirement for Surrey Police to continue to make additional savings. My Treasurer and the Force Chief Financial Officer are both of the view that given these financial challenges it is vital that Council Tax is increased by the maximum permitted this year, however difficult this may be, to enable the Force to remain financially sustainable for the future and reduce the level of savings required.

91. **Therefore, having considered all of the evidence presented to me I, as PCC, propose to increase the Band D Surrey Police and Crime Commissioner Precept by £15, which is 5.07%, for 2023/24 from £295.57 to £310.57 and I recommend that the Panel endorses this proposal.**

92. The table below shows the impact of the proposed precept by Council tax band:

Band	2022/23	2023/24	Change
A	197.05	207.05	10.00
B	229.89	241.55	11.66
C	262.73	276.06	13.33
D	295.57	310.57	15.00
E	361.25	379.59	18.34
F	426.93	448.60	21.67
G	492.62	517.62	25.00
H	591.14	621.14	30.00

RISKS

93. If the precept is not increased by the maximum permitted there is not only a risk to the delivery of the Police and Crime Plan and Strategic Policing Requirement but also to future financial sustainability. The most significant financial risk relates to inflation and/or pay increases higher than predicted. This would lead to significant savings being required resulting in significant staff reductions with the resultant impact on operations.

94. Other risks are set out in Appendix B3

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SURREY POLICE AND OPCC GROUP BUDGET FOR 2022/23

REVENUE BUDGET 2023/24

	2022/23 £m	2023/24 £m	Variation £m %	
Office Of Police & Crime Commissioner	3.3	3.3	0.0	0%
Police Force				
North Division	29.7	31.3	1.6	5%
East Division	32.4	34.1	1.7	5%
West Division	34.2	36.1	1.9	5%
Specialist Crime	42.1	44.0	1.8	4%
Operations	19.3	20.3	1.0	5%
Contact & Deployment	20.2	21.0	0.8	4%
Criminal Justice	13.2	13.8	0.5	4%
Volunteering	1.6	1.6	0.1	4%
sub total	192.9	202.2	9.3	5%
Chief Officers	1.9	1.9	0.0	2%
DCC	1.6	2.1	0.5	30%
PSD	3.4	3.5	0.1	4%
Corporate Communications	1.6	1.6	0.0	1%
Corporate Development	3.4	3.4	0.0	0%
Change Delivery	0.9	1.0	0.1	7%
sub total	12.8	13.6	0.7	6%
ICT	18.1	18.4	0.3	1%
Finance & Services	20.3	21.7	1.4	7%
People Services	13.3	15.3	2.1	16%
Corporate	18.4	14.5	(3.9)	(21%)
sub total	70.1	69.9	(0.2)	(0%)
Sub-Total Force	275.8	285.6	9.8	4%
GROSS BUDGET	279.1	288.7	9.6	3%
Grants				
Home Office Police Grant	(78.5)	(76.9)	1.7	(2%)
Formula Funding	(32.9)	(35.0)	(2.1)	6%
Legacy Council Tax Grant	(2.5)	(2.5)	0.0	0%
Council Tax Support Grant	(6.8)	(6.8)	0.0	0%
Police Officer Pension Grant	(2.0)	(2.0)	0.0	0%
Operation Uplift Performance Grant	(1.7)	(3.6)	(1.8)	104%
Total Grants	(124.4)	(126.6)	(2.2)	2%
Use of Reserves	(3.4)	(1.0)	2.4	
Local Council Tax Scheme Grant	0.0	0.0	0.0	
Collection Fund (Surplus) / Deficit	(0.5)	(1.5)	(1.0)	
NET PRECEPT REQUIREMENT	150.8	159.6	8.8	5.8%

where figures are rounded to 1 decimal place they may not cast correctly

SURREY POLICE GROUP MEDIUM TERM FINANCIAL STRATEGY

Precept £15 for one year then 2% with a 0% grant increase, police pay award at 2.0% Sep23 to Aug24 then 2.0%, staff pay increase at £1,900 from Sept 22 then 2.0% April each year, officer vacancy rate 1%, non pay 2%, future tax base 0.5%	2022/23	2023/24	2024/25	2025/26	2026/27
REVENUE COST BASE	£m	£m	£m	£m	£m
Base budget	261.7	279.1	288.7	290.2	295.5
Pay Inflation	6.3	9.3	5.0	4.7	4.8
Price Inflation	0.8	1.3	1.1	1.1	1.1
Base Assumptions	4.0	1.2	4.8	2.8	1.9
Unavoidable Costs	1.4	2.2	0.0	-	-
Cost of Change net	0.1	0.8	(1.4)	0.2	0.5
Service Growth	1.0	(2.3)	0.0	0.0	0.0
Estate Strategy Project Expenditure	0.6	(0.4)	(0.6)	0.1	(0.8)
Precept Investment	-	-	-	-	-
Operation Uplift	6.1	(0.9)	-	-	-
Total Cost Increases	20.3	11.2	8.9	8.8	7.4
Gross Budget Requirement	282.0	290.3	297.7	299.0	302.9
Annual Savings Requirement	(2.9)	(1.6)	(7.5)	(3.5)	(4.4)
Total Gross Budget	279.1	288.7	290.2	295.5	298.5
FUNDING	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Home Office Grant	78.5	76.9	76.9	76.9	76.9
Revenue Support Grant	32.9	35.0	35.0	35.0	35.0
Council Tax Support Grant	9.2	9.2	9.2	9.2	9.2
Operation Uplift Performance	1.7	3.6	3.6	3.6	3.6
Specific Grant	2.0	2.0	2.0	2.0	2.0
Local Council Tax Scheme Grant	-	-	-	-	-
General Reserves	(0.5)	(1.0)	-	-	-
Specific Reserves -					
Covid19	0.4	-	-	-	-
OPCC Operational Reserve	0.3	-	-	-	-
Local Council Tax Scheme	-	-	-	-	-
Estate Strategy	1.2	-	-	1.2	-
Cost of Change	2.1	2.1	-	-	-
Surplus/(deficit) on Council Tax Collection Fund	0.5	1.5	-	-	-
Base precept	143.3	150.8	159.6	163.6	167.7
Taxbase Improvement	2.3	1.1	0.8	0.8	0.8
Precept increase	5.1	7.7	3.2	3.3	3.4
Total Funding	279.1	288.7	290.2	295.5	298.5

SUMMARY OF ASSUMPTIONS FOR THE BUDGET AND MEDIUM-TERM FINANCIAL PLAN

Assumption		2022/23	2023/24	2024/25	2025/26	2026/27
Capital Grant	£m	£0.00	£0.00	£0.00	£0.00	£0.00
Home Office Grants		5.8%	1.8%	0.0%	0.0%	0.0%
Uplift Performance Grant	£m	£1.7	£3.6	£3.6	£3.6	£3.6
Precept		£15	2%	2%	2%	2%
Tax base increase		1.6%	0.50%	0.50%	0.50%	0.50%
Collection Surplus/(Deficit)	£m	£0.5	-£0.4	£ -	£ -	£ -
Police Staff Pension Employer Contribution rate		16.5%	16.5%	16.5%	16.5%	16.5%
Police Officer Pension Employer Contribution rate		31%	31%	31%	31%	31%
Police Officer pay inflation		5.0%	2.0%	2.0%	2.0%	2.0%
Police Staff pay inflation		6.7%	2.0%	2.0%	2.0%	2.0%
South East Allowance		£2,500	£3,000	£3,000	£3,000	£3,000
General Price inflation		2%	2%	2%	2%	2%
Income - Fees & Charges *1		No Change	No Change	No Change	No Change	No Change
Income – Specific Grants *2		No Change	No Change	No Change	No Change	No Change
General Reserve		3% NBR minimum	3% NBR minimum	3% NBR minimum	3% NBR minimum	3% NBR minimum
Vacancy Rates - Police Officer		2%	1%	1%	1%	1%
Vacancy Rates - Police Staff		8%	10%	10%	10%	10%
Vacancy Rates - PCSO		8%	10%	10%	10%	10%

RISKS WITH THE BUDGET AND MEDIUM-TERM FINANCIAL PLAN

ISSUE	ASSUMPTION	COMMENT
Maintaining & improving service performance levels	Resources sufficient to meet targets and priorities in the Police and Crime Plan and Chief Constable Priorities	The Chief Constables believe that there are sufficient resources to deliver future Police & Crime Plan priorities, Chief Constable Priorities and Strategic Policing Requirement. However there remains risk from the cost of major operations including counterterrorism, major incidents including pandemics, particularly if these are not fully funded nationally.
Pay and price budgets and establishment control	<p>Provision for national pay awards of 2%.</p> <p>Staff turnover and increments based on detailed analysis of current staff profile and trends.</p> <p>General price inflation of 2%</p>	<p>Whilst the number of police officer leavers is difficult to predict, recruitment and promotions are managed during the year to match staffing need and resources to budget.</p> <p>Detailed analysis of employee costs is carried out in setting the budget with close monitoring of the overall budget and management action to maintain financial discipline is particularly important to ensure resources are deployed to achieve the most effective and efficient service delivery. The DCC Strategic Planning Board / Force Organisational Board monitor all aspects of the financial and human resources including the recruitment progress and report to the PCC.</p> <p>Any increase above the rates budgeted will need to be funded from a combination of use of an earmarked reserves, tactical one-off savings, cashable savings, and efficiencies from service changes as there is no further government grant or precept available to meet the costs.</p>
Limits to Precept Increases	<p>£15 in 2023/24, £10 in 2024/25.</p> <p>Future precept planning assumption of a 2% increase. That said £10 already announced for 2023/24 but not clear beyond that</p>	<p>The provisional 2023/24 Police Funding Settlement allow PCC's the flexibility to increase the amount of precept by £15 for 2023/24.</p> <p>The Localism Act 2011 gives a statutory obligation for council tax referendums to be held should a precept higher than prescribed be approved by the PCC. The Secretary of State for Communities and Local Government set the level above which a referendum would be required.</p> <p>An increase in excess of the referendum level or precept 'cap' would result in the requirement to hold a referendum and the costs met by the OPCC.</p>
Grant Levels	<p>Main police revenue grant</p> <p>Capital Grant removed</p>	<p>Recently the settlements have been one year only settlements but for 2022/23 a three-year settlement was announced at the national level. However only allocations for 2022/23 at Force level have been provided. Whilst we know the values of the settlement for 2024/25, it is not yet known how this will be distributed. It is also not clear what will happen to ringfenced grants after 2023/24 although it has been assumed they will be maintained</p> <p>Capital Grant discontinued in 2021/22 and is now replaced through other resources including revenue or borrowing.</p>

Change to the Funding Formula	None at this time.	A review of the grant distribution method, known as the 'formula review', is being undertaken and is due to be completed, but possibly not implemented, by the end of this Parliament. Significant work has already been undertaken by PCCs and police to provide the body of evidence that will be used to design the new Formula and consultation on this are expected later this year. Although it is hoped that Surrey may do better rather than worse no assumptions regarding this have been included. Whatever happens it is expected that transitional arrangements will be implemented by the Home Office to smooth any change.
Council Tax	Collection rates advised by individual billing authorities	<p>The risk of council tax collection rates being lower than expected could impact on the collection fund balances and any surpluses payable to the PCC. Billing authorities' factor in prudent collection rates to mitigate this risk. The PCC works closely with billing authorities to monitor their key collection rates and contributes financially towards the costs of reviews of discounts, including the single person discount, and exemptions.</p> <p>The tax base is normally expected to increase during the MTFS period, but the assumptions could be impacted by changes to the mix of dwellings, discounts, and the impact of unemployment numbers within billing authorities' council tax reduction schemes or changes to the proportion of support provided</p> <p>The tax base for 2023/24 is estimated to increase by at least 0.5% with the collection funds as a whole in surplus. Future tax base increase assumptions are included in the MTFS at 0.5% growth per annum.</p>
Pandemic	Risks	The Force maintained a specific risk register in response to this public health emergency including the financial risks, which comprised of staffing, cash flow, in year direct financial costs to respond and the longer-term economic impact. These risks are mitigated by the control measures in the specific areas within this risk analysis document as the pandemic is ongoing, albeit hopefully reducing, risk into the new financial year.
Budget Estimates (Expenditure)	Provision for specific on-going cost pressures	<p>The budget estimates including all identified additional costs for 2023/24, supported by input and review by the Chief Financial Officers.</p> <p>All cost pressures are scrutinised internally by the Chief Finance Officers and also the DCC Strategic Planning Board / Force Organisational Board before inclusion in the financial plan.</p> <p>Risks of budget overspend are mitigated by the monthly budget monitoring process and formal monitoring reports to the PCC.</p> <p>The robustness of the overall budget setting process was reviewed by Internal Audit during 2022/23 and received a <u>substantial assurance opinion</u>.</p>
Savings Plan	Budget includes savings	<p>Recognising the need for future savings the Force has set up a Service Transformation Programme to review and identify where saving can be made. In addition to this a Tactical Savings Working Group has been set up to identify other tactical savings.</p> <p>The savings planned in the first year of the four-year plan could be met by reserves if not delivered however reserves</p>

		would be exhausted by 2026/27 if no savings were delivered.
National System charges	Delays with National Programs	Overruns in major national projects such as ESN and uncertainty over funding for NPAS could result in additional costs for keeping existing equipment going and further financial contributions. A national PCC and Police group has been established to scrutinise these costs before they are agreed.
Levels of Reserves	<p>Forecast to reduce over the term of the MTFS</p> <p>To mitigate this risk, the General Reserve is kept at a minimum of 3% of revenue expenditure.</p>	<p>Currently used to finance the capital and investment programme and major change initiatives. Although it remains a risk the level of general reserves is believed to be adequate to meet unplanned demand and unexpected costs. However they are at the lower end compared to other Forces</p> <p>Specific earmarked reserves are being employed to reduce the pressure on the revenue budget and to enable costs to be spread over several years.</p> <p>A reserve by its nature can only be employed as a one off cash injection The savings planned in the first year of the four year plan are within the reserves available but reserves would be exhausted if no savings were delivered in the full MTFF period.</p>
Interest rates, investment and borrowing	<p>Interest rates assumptions</p> <p>Borrowing at fixed rates.</p>	<p>Forecasts of investment income for 2023/24 onwards are based on estimated cash balances and interest rate forecasts as set out in the treasury management strategy. A prudent position has been adopted with regard to anticipating future increases in interest rates, to address the risk of interest rates being lower than expected and thereby leading to a shortfall in income.</p> <p>The risk of investment fund loss due to collapse of the financial institution where the deposit is placed, is limited by controls within the Treasury Management Strategy which focus on security rather than returns. Potential impact is mitigated by sharing this risk with Surrey County Council who in turn invest in a diverse portfolio with top credit rated institutions.</p> <p>As part of the borrowing strategy in support of financing long term assets the ability to use both internal and external borrowing has been established which will be instigated by the Chief Finance Officer for the PCC.</p>
Income Assumptions	Income budgets reduced for specific items.	There is some risk of achieving on-going level of income targets included in Divisional and Department budgets. This will be monitored during the year and appropriate action or mitigation agreed as necessary. Additional income may be received in-year due to unforeseen events, additional grants from Home Office or other third parties.

8

		reserve provides potential sources of funding if necessary. Should costs exceed 0.2% of net revenue budget they may be eligible for Bellwin compensation provided that the Government has deemed thus.
Operational Demands	Public protection	Key operational pressures include continuing demand and complexity of public protection cases (domestic abuse and vulnerable children/adults) plus changes in nature/type of evidence collection, with a growing range of digital devices having to be examined requiring additional forensic time/resource and cost to process. The Forensic Capability Network (a national group) are overseeing developments in the Forensic market including digital forensics.
Capital Programme	Latest plans	There is a risk of the capital programme being understated, or that overspending occurs, resulting in insufficient funding being available as planned. Slippage may also impact on operational demands. The capital plan is reliant on several sources of funding including capital receipts which are at risk of not being achieved either in quantum or timing. These risks are mitigated by regular review of all major projects including the Estates Strategy and DDaT projects, focus on key priorities agreed in advance, together with monthly budget monitoring and regular monitoring reports to the PCC. The Strategic Change Board to approves bids on an annual basis
Capital Financing	MRP is calculated on an asset-by-asset basis based on asset lives	This Capital Financing risk is of charges being greater than budgeted. This is mitigated by considering revenue and capital implications of major project spend within the capital and investment planning process and inclusion within the MTFF. The MRP debt repayment provision is calculated on individual assets and 100% of external borrowing is on a fixed interest rate. Borrowing is planned to finance the capital programme within this MTFS.
National ICT Programmes	Latest plans	There is a risk that delays to the implementation of national DDaT schemes including ESMCP, NLEDS & HOB present significant risk. These risks will be managed by regular review of all these major projects at both the Strategic Change Board and the DCC Strategic Planning Board / Force Organisational Board.
Local ICT Programmes	Project transition	There is a risk due to their nature that for major IT projects costs maybe underestimated or there is a lack of capacity to deliver to time. There is also an associated risk in the cost of maintaining legacy systems to ensure they remain fully operational.
Risk Management	Unidentified Risks	Financial consequences could result if all major risks have not been identified when the budget has been set. This is mitigated by robust risk management arrangements in place with formal reporting to the Joint Audit Committee, Organisational Reassurance Board chaired by the Deputy Chief Constable; comprehensive insurance arrangements in place; and holding a level of reserves as contingency.
Non-Pay Inflation	Current medium-term inflation is forecast to be 2%	The Bank of England is forecasting that inflation has peaked and will decrease rapidly early in 2023/24. Any significant fluctuation in costs will be monitored through the monthly forecasting process and at the monthly CFO Risk Meeting.

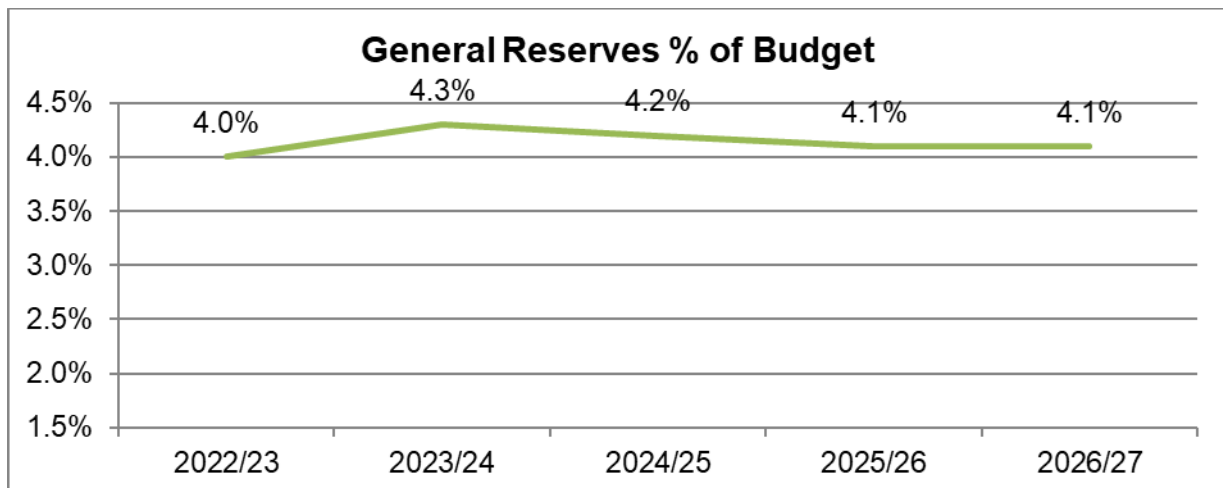
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Uplift Performance Grant	Ringfenced Grant	Loss of all or some of grant due to not achieving required Uplift targets. There is also a risk the grant may be abolished at some time in the future thereby leaving a financial hole.
Fuel Costs	Rising price of Oil	<p>Ongoing global fuel price pressures driven by Covid, Brexit, War in Ukraine, Dollar rates and refinery capacity continue to impact the Force along with the possibility of the Government increasing fuel duty during 2023.</p> <p>A budget increase has been allocated for 2023/24 to cover fuel increases, the cost of fuel and fleet mileage are monitored as part of the monthly budget monitoring process and steps are being taken to reduce mileage and used cheaper fuel suppliers where possible.</p>
Raw materials	Delivery of Capital Projects and Repairs	Due to high rates of inflation, there is a risk of the cost of materials increasing due to delays with project delivery. The Force monitors project delivery through various Change Governance Boards along with monthly financial monitoring.
Digital Forensic Costs (Investigation of electronic devices)	Outsourcing costs will increase by c25%	<p>Contract with current supplier is due for final year extension in January 23. Revised costs reflect a 25% increase due to increased staff costs in a competitive market and a desire for suppliers to make a better return than they have so far..</p> <p>There are still procurement steps to take in order to agree this revised pricing structure for the final year of this contract and there is still a significant risk around further increases as the procurement process continues.</p>
Physical Forensic Costs	Forensic fees will increase by significantly due to demand and cost pressures	<p>New physical forensic contracts were awarded earlier in 2022/23 and commenced in July 22. The Business Case included a 20.5% price increases across the consortium, as due to the level of past charges the market had become unstable one Supplier entering Administration and other Suppliers demonstrating financial distress. However recent data indicates that costs have in fact risen by 26% and indeed could rise higher. Uplift has also created further demand for Forensic services nationally putting more pressure on companies.</p> <p>The financial situation of each Supplier will also be under constant review to mitigate the impact of any failure</p>

SCHEDULE OF EARMARKED RESERVES

*estimated	2022/23	2023/24	2024/25	2025/26	2026/27
	£m*	£m*	£m*	£	£
Earmarked Reserves					
OPCC Operational Reserve	1.0	1.0	1.0	1.0	1.0
PCC Estate Strategy Reserve	2.0	2.0	2.0	0.8	0.8
PCC Cost of Change Reserve	3.2	1.1	1.1	1.1	1.1
Chief Constable Operational Reserve	1.9	1.9	1.9	1.9	1.9
COVID19 Reserve	1.7	1.7	1.7	1.7	1.7
Insurance Reserve	1.9	1.9	1.9	1.9	1.9
Police Pension Reserve	0.8	0.8	0.8	0.8	0.8
Capital Receipts & Grants Combined	-	-	-	-	-
Total Earmarked Reserves	12.3	10.3	10.3	9.1	9.1

GRAPH OF GENERAL RESERVES



COLLECTION FUND TABLES

Authority	Tax Base	Collection Fund Surplus/Deficit	Precept	Total Payments Due to Surrey Police
		£	£	£
Elmbridge	65,980.0	154,416.00	20,491,408.60	20,645,824.60
Epsom and Ewell	33,251.4	64,186.90	10,326,896.62	10,391,083.52
Guildford	58,335.9	163,502.28	18,117,383.57	18,280,885.85
Mole Valley	41,483.1	144,992.00	12,883,406.37	13,028,398.37
Reigate & Banstead	63,495.3	517,970.34	19,719,738.43	20,237,708.77
Runnymede	34,864.6	375,677.00	10,827,898.82	11,203,575.82
Spelthorne	39,223.0	(176,839.62)	12,181,487.11	12,004,647.49
Surrey Heath	39,613.4	132,859.69	12,302,733.64	12,435,593.33
Tandridge	38,692.9	(134,175.24)	12,016,853.95	11,882,678.71
Waverley	57,369.3	256,648.00	17,817,183.50	18,073,831.50
Woking	41,519.0	16,812.00	12,894,555.83	12,911,367.83
Total	513,828.0	1,516,049.35	159,579,546.43	161,095,595.78

Information is still awaited from those Boroughs highlighted in yellow

PCC Response to the 2023/24 Provisional Settlement

Rt Hon C Philp MP
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Crime and Policing Group
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13th January 2023

Dear Chris,

Provisional 2023-24 Police Settlement

As PCC for Surrey, I am writing in response to the consultation on the Provisional Police Settlement which was released on the 14th of December 2022.

Core Funding and Council Tax

I was pleased to see that the financial commitment made at the spending review last year and the additional grant for the 2022/23 pay increase was reflected in the settlement. This, less the deduction for National Insurance, provided an additional £174m for Policing. However, this increase in funding provided no additional money, save some uplift, to cope with funding pressures in 2023/24. At a time of almost 10% inflation an increase of only 1.8% in Government Funding does little address this. The NPCC requested an increase in grant funding of £300m to address inflationary pressures but this has not been forthcoming.

Following representation from my PCC colleagues to address this funding challenge you have proposed that the referendum limit be raised by £5 to £15. Whilst I welcome the extra resources this can provide, I do have concerns that year after year more and more of the burden for funding the Police is being passed on to Council Taxpayers. I feel this particularly keenly in Surrey where we have the highest Council tax in England, £310.57 if the full increase is taken, coupled with the lowest grant. This means that 56% of the cost of Policing falls on my Council Taxpayers compared with 43% in neighbouring Sussex and, at the extreme end, 21% in the West Midlands. This imbalance is something that I would expect to be addressed by the current Formula Funding review.

Over the last 10 years Surrey Council Taxpayers have seen their contribution to Policing increase by 56% whereas Government funding has only risen by 12% - and that includes Uplift. Having the highest level of Council Tax means that not only have I to face significant resistance from some residents to any increase but also I suffer the biggest proportionate funding reduction if I do not go to the maximum level.

Uplift Funding

There is no doubt the investment in new officers through uplift has delivered real benefits. In Surrey it has increased the diversity of our Force and brought in recruits with new skills and real enthusiasm for a career in Policing. Whilst I understand that the maintenance of an additional 20,000 Officers is a key Government commitment, I am saddened that the Home Office feels that they have to increase the penalty on Forces that don't manage to maintain these numbers.

The ringfenced grant PUP appears to have increased because the £140m for the pay award has been included within it. The £140m grant was meant to be a contribution towards the £1900 pay award to officers (and Surrey got the smallest amount because it was distributed on formula grant shares rather than headcount) and therefore is not part of PUP funding. Instead, I believe that the pay award grant

should be added to the core grant which is where it naturally sits. This will give forces the certainty required in the current financial environment that they are able to afford the pay award granted.

Forces have not seen the guidance yet as to how compliance with Uplift will be monitored. In Surrey we are on target to meet our Uplift requirement for 2022/23 but we have found that it is becoming increasingly difficult to attract recruits in a very challenging labour market. The type of recruits we want to attract can walk into a job with better pay and more sociable hours than policing – and that's before you take in to account the cost of local housing. Whilst we have been successful in attracting candidates who have a vocation to be Police officers numbers are not limitless, and I am sure you would not want us to lower our standards just to meet targets. Please can I be assured that local circumstances will be considered in the assessment of compliance with Uplift and that support will be available for those Forces that struggle to attract candidates such as ourselves.

Pensions

As in the last three settlements I am pleased that support for pension contribution increases has been maintained. However, it has been estimated that the cost for McCloud could be £28m across all Forces of which £7m has been provided by the Home Office. I would request that shortfall be looked at as part of the settlement as this is not a cost that should fall on UK Policing.

Pay

In your recent letter you stated that "PCCs should consider the pressures on their budgets, including the potential for a 2023-24 pay award above 2% next year, for which they should budget appropriately." As you are aware Forces are already facing huge inflationary pressures, and with around 80% of police budgets being spent on pay, any change in pay award can have huge ramifications. Most forces have taken the view that "appropriately" in this case means "affordable" and so we would ask that any assumptions that have been made in this provisional settlement regarding the pay award is shared. In Surrey every 1% increase in pay adds £2.4m to our costs which equates to more than the entire grant increase awarded for 2023/24 or just short of £5 on Council Tax. Hence, we would find it very difficult to fund any pay increase above 2% without having to make significant cuts in the numbers of Police Staff with potential impact on Policing performance and delivery.

Capital Funding

For the second year running the Government has not provided any Capital Funding grant directly to Forces. Here in Surrey, we are struggling not only with an old and tired estate but also with upgrades in technology and the move to net zero for vehicles. We were intending to borrow to improve our estate but the recent increase in interest rates has made this more challenging financially. Investment in capital assets is usually an enabler of improved productivity and efficiency. Hence, I would request that consideration be given to providing additional capital funding to enable improvements to be delivered coming out of the productivity review.

Productivity and Efficiency

As PCC I work closely with my Force looking for ways to achieve better value and outcomes for my residents. I will be interested to see the results of the productivity and efficiency review as it may point to areas which we have not considered before. However, over the last 10 years Surrey has already taken £80m out of its budget and our Medium-Term Financial Strategy indicates, even with a £15 increase in 2023/24, that a further £17.3m will be required over the next 4 years. This is on the assumption of only a 2% pay increase and maintaining current services. Hence whilst improved productivity and efficiency will be vital to deal with financial and demand pressures it is not likely to lead to a reduction in the overall resources required for Policing.

As APCC lead for mental health I am also keen to understand what can be done to ensure that Policing does not pick up the cost of functions that should be done by other agencies. The work done in

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Humberside shows that the amount of resource that could be released is quite substantial if this could be rolled out nationally.

Finally, I look forward to working with you over the coming year to ensure that Policing continues to protect and serve my residents despite the many challenges we face.

Yours sincerely,

Lisa Townsend

Police and Crime Commissioner