



## SURREY POLICE AND CRIME PANEL

### PROPOSED SURREY POLICE PRECEPT 2024/25 2nd February 2024

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#### SUMMARY FROM THE POLICE AND CRIME COMMISSIONER FOR SURREY

1. This last year has brought change and challenges to Surrey Police. I appointed our new Chief Constable, Tim De Meyer early in 2023 and he has now had a number of months in the job. During this period, he has spent time getting to know how Surrey Police works first hand by meeting officers and staff and has used that knowledge to inform his vision for the Force – Our Plan, Your Force – which he launched a couple of months ago - and aligns well not only with my Police and Crime Plan but also with resident's concerns expressed to me at various public meetings across the county.
2. Throughout the year high inflation and interest rates continued to not only increase the direct cost of providing policing services but also impacted the cost of living for many of our residents. The recent fall in inflation is welcome and hopefully this will continue – however the cost increases that preceded this fall are still “baked-in” to costs and present a financial challenge. We would hope, however, that the rate of increase is at least now slowing down.
3. The Force has had to work extremely hard to both recruit and retain police officers and staff due to the better pay and conditions offered outside Policing. The recent recommendation of the Pay Review Body to increase Police Officer pay by 7% went some way to addressing this imbalance and I am pleased that this recommendation was accepted by Government. Following lobbying by both PCCs and Chief Constables, the Government also agreed to fund Forces for the cost of the increase over 2.5%. Whilst this was welcomed, the decision to distribute the additional funding based on the outdated formula methodology rather than in relation to costs incurred has meant for Surrey that the pay rise was not fully funded, adding further to our financial pressures.
4. The Government's initiative to put an additional 20,000 Police Officers on the streets, and maintain these numbers, has meant that Surrey Police now has more officers than ever before. These new officers have made the Force more diverse and representative of our communities, but it will take time for new recruits to develop the skills and experience of our more seasoned officers. That said, each month more of these new officers are able to undertake independent patrol duties thus freeing up more experienced officers to deal with issues such as Domestic Abuse, Violence against Women and Girls, Drugs etc. Although funding, by way of the Uplift grant, is provided for these officers, this is insufficient to cover the entire cost of employing them once you include uniforms, training, supervision etc thereby adding a further strain on the budget.

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5. The Chief Constable has been clear in his commitment to my Police and Crime Plan and keeping Surrey residents safe. He has targeted areas across the Force for improvement, such as call handling and detection rates, and performance in these areas is already more positive. The HMICFRS inspection during the year set out areas where they believe the Force needs to improve and this aligned with what the new Chief Constable had already observed and started work on. The national policing productivity review set out areas where Policing could be more productive, nationally freeing up time equivalent to 20,000 Officers, but this will require investment in modern technology and equipment for which no capital funding is currently provided by Government and hence will have to come out of the operational revenue budget.
  6. Whilst there is no room for complacency, Surrey remains one of the safest areas of the country and both the Chief Constable and I are committed to it staying that way. Even with a £13 precept increase and the use of some reserves, the Force will still need to find £3.8m of savings this year and over £14m for the 3 years after that. This is not an insignificant amount, and the Force will need to change the way it operates if it going to be able to close this gap without impacting services. In my discussions with the Chief, he understands the obligation on him to ensure that every £1 entrusted to him by Surrey residents delivers value. During the year I will continue to work with him to ensure that resources are targeted at areas which concern residents most whilst ensuring that we continue to meet our statutory obligations.
  7. As well as listening to the Force, it is important that I also understand the views of the public. During the year I invited residents to in-person events held in each borough and district where they had an opportunity to not only hear about policing but also discuss their concerns first hand with the Chief Constable, Borough Commander and I. In December I launched my online precept consultation asking residents what level of increase they would be prepared to pay for Policing and what areas they felt more resources could be directed to. This was supported by a wide publicity campaign and a series of online events. At the time of writing this report the consultation is still open and so results will be shared with the Panel at the precept meeting together with any actions I intend to take as a result.
  8. Whilst 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, I also recognise the financial pressures that many residents are under at this time and would rather not have to increase the burden they already have to shoulder. Even with an increase of £13, the 4.2% percent increase will be lower than almost anywhere else in the country and less than the 4.99% increase already announced by Surrey County Council. It is also well below the rolling inflation rate for the most of the last 12 months and just above the December CPI rate of 4%.
  9. In the context of the 2024/25 national policing settlement, the 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 £13 a year. He has set out his vision for the Force, which I fully endorse, and the risks to this and my Police and Crime Plan were he not to have the resources he needs. As a result, he strongly recommends to me that I should propose a precept increase of £13 for 2024/25.
  10. 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 Forecast estimates the financial challenges the Force faces over the next 4 years based on a number of assumptions. Even with a £13 increase, the Force will still need to make savings but with the full increase the impact of these will be reduced. In addition, both the OPCC and Force Section 151 Officers have recommended to me to propose a £13 increase for the coming year to support the financial sustainability of the Force.

11. Therefore, having considered all of the evidence presented to me, I propose an increase of £13 for the 2024/25 Band D Surrey Police and Crime Commissioner Precept which is the maximum permitted without a referendum and in line with Government funding assumptions.
12. My Chief Financial Officer has prepared the accompanying report which sets out the precept proposals in more detail.

### **RECOMMENDATION**

13. **I, the Police and Crime Commissioner for Surrey, recommend to the Surrey Police and Crime Panel that they endorse my proposal to increase the 2024/25 Band D Surrey Police and Crime Commissioner Precept by £13, being a 4.2% increase, to £323.57.**

### **BACKGROUND INFORMATION/PAPERS/ANNEXES**

14. The attached report, prepared by the Chief Financial Officer, sets out the budget and precept in more detail.

### **CONTACT INFORMATION**

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## **SUPPORTING INFORMATION FOR RECOMMENDATION FROM THE OPCC CHIEF FINANCIAL OFFICER**

### **WHERE HAVE WE COME FROM**

15. In 2018/19, Government funding for the Police began to increase after many years of zero growth at best. In addition, in order to put more money into Policing, the Government also permitted PCCs to increase the Band D precept above inflation without a referendum. 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 that, in the last 11 years the budget rose from £209m in 2012/13 to £288m in 2023/24.
16. Each Force was given its own allocation of Uplift officers, based on the formula grant shares, which had to be in place 31<sup>st</sup> March 2023. To ensure that the additional 20,000 officers remained, numbers were monitored at two points in 2023/24 with Uplift grant clawed back if the number was not maintained.
17. At the end of March 2022 using the Home Office methodology, it is forecast that there will be 2,299 officers in post in Surrey compared to 1,874 in March 2019. This includes an additional ten officers funded from grants reallocated from the Metropolitan Police by the Government. As in 23/24 2,253 officers must be in post on 30/9/24 and 31/3/25, otherwise grant can be clawed back. There are no conditions on the additional ten. As a result, the Force will need to continue to recruit and train large numbers of officers to replace those that leave or retire. It also cannot reduce Officer numbers to achieve efficiencies.
18. These extra officers have been vital in meeting the increased demands on the Force, in particular neighbourhood policing, detectives and improving its workforce diversity. Recruiting such a large number of officers in a short space of time has given the Force a younger age profile with more graduates in the ranks, but that also means less experience and policing knowledge. Given it also takes time for officers to be trained and able undertake independent patrols this has had a less visible impact on the streets than might be expected. In addition, although funding is provided by Government for these new recruits this does not cover all of the costs such as those for Uniforms, training etc.

### **WHERE ARE WE NOW**

19. The Home Secretary's Strategic Policing Requirement was updated in 2023 to include Violence Against Women and Girls (VAWG) alongside existing national threats of terrorism, serious and organised crime, a national cyber incident, child sexual abuse, public disorder, and civil emergencies. The Home Secretary and Policing Minister have been clear about their priorities for policing in addition to this, and aligned the recent police funding settlement to delivery in priorities of:
- Maintaining 20,000 additional officers to March 2025
  - Improving productivity and efficiency through innovation and technology to increase officer time and services to the public.
  - Increasing officer visibility and taking a targeted approach to tackling crime and antisocial behaviour.

20. Surrey remains one of the safest counties in England and Wales. Levels of crimes are stabilising after significant disruption from the pandemic when many crime rates dropped due to restrictions, but then stayed lower due to changes in how people carried out their work, such as working from home. Demand modelling forecast rises in areas such as anti-social behaviour, residential burglary, public order and high harm offences in the coming years. As a consequence, emergency 999 demand is expected to rise and so will the need to respond. The introduction of Right Care, Right Person, which has been championed nationally by the PCC, ensures that some calls for mental ill-health are re-routed to more appropriate agencies thereby reducing demand on policing. The management of demand by diverting non-police calls to other more appropriate services providers and focussing on Policing activities will continue.
21. A new Head of Crime Standards was appointed with the objective of improving outcome rates. The Chief Constable has said that he wants to deliver better outcomes and increase charging and summons rates as well as addressing structural, policy and cultural hindrances. A new Crime Management Framework and a supervisors' PowerBI dashboard are two of the building blocks currently being put in place to deliver a sustained change in performance as part of a long-term whole-force effort to improve investigative capacity, capability and confidence.
22. Despite the increased funding received from Government in recent years, maintaining a financially sustainable service remains a challenge. In summer 2022 a transformation programme was started which looked to identify business areas which could deliver initial savings and then further savings through transformation. This work is now well advanced, and a number of savings have been identified for delivery over the coming years. That said the level of work to deliver these initiatives should not be under-estimated. In addition, further work will be needed to fully address the financial challenges the Force faces.
23. The Force has continued to suffer from increased competition in the labour market. Although it was still attracting recruits to be officers, and therefore meeting the Uplift requirements, recruitment of Police staff still presents challenges. This resulted in 12% of Police staff posts being vacant at the end of November 2023. Although the Force has emphasised the benefits of working for Surrey Police, such as the Pension, it cannot compete with the rates of pay in the private sector. This shortage has impacted areas such as contact so adversely that a special Gold Group was set up to deal with the issue. This has resulted in increased staffing, but only recently has this been reflected in improved performance.
24. The increased use of technology by criminals has led to an increase in the demand for technical forensic services – indeed almost all crimes have a digital element to them. Residents now prefer to use digital methods of contact rather than telephone or in person and so the Force has promoted the use of chat, Facebook and email for crime reporting.
25. Remote working is now being used increasingly by Officers and staff resulting in a more flexible workforce and reduced estate costs. Office 365 has been an enabler for remote working and files are being transferred and accessed from the Cloud. Interviews are now stored in the cloud rather than CDs and thus are easily available. IT are working to reduce the number of legacy applications and to standardise working practices. This has required investment and there continues to be problems recruiting staff with suitable skills. However, a review of staffing and their expertise carried out by the Head of DDaT has resulted in a better matching of activities to staff. The Police Productivity Review published

in November identified IT as an enabler to deliver better productivity and it is hoped that the Government will consider providing capital funding to assist with this.

26. Recorded crime to Aug 2023 increased by 1% compared to the previous year which is below the national average. Almost 50% of all reported crime is for violence with the next largest category being theft. Vehicle Crime has increased but domestic burglary has fallen. Solved outcome rate has fallen to 10.5% which is due in part to not having enough detective capacity within the Force (which is being addressed) coupled with delays in the Criminal Justice system. Despite that Surrey still remains one of the safest places in the country with 75% of females saying they feel safe after dark.
27. Although trust and confidence in police has declined in Surrey this is in the context of a decline nationally, particularly in London. The Casey Review has shone a light on areas within Policing that need to change, and this is reflected in the development of the Chief's vision in "Our Plan." The Force has also recently updated its code of ethics and this is being rolled out at the moment.
28. During the year, an HMICFRS conducted an inspection under its new PEEL arrangements and graded Surrey in a number of areas as follows:

Theme	Grade
Developing a positive workplace	Requires Improvement
Investigating Crime	Adequate
Leadership and Force Management	Adequate
Managing Offenders	Good
Police Powers and public Treatment	Adequate
Preventing Crime	Good
Protecting Vulnerable People	Adequate
Recording data about crime	Requires Improvement
Responding to the Public	Inadequate

Responding to the public, or contact, had been highlighted as an area of concern long before the inspection. This was as a result of lengthening answering times driven by staff shortages within that area. A Gold group had been put in place before the inspection to deal with this, but it takes time to recruit and train staff and so the improvement was not apparent at the time of the inspection. It was pleasing to see that the Force's and PCC's focus on not creating more victims by working to prevent crime through intervention was rated 'good.' For example, operations targeted at preventing burglary and catalytic converter theft have been successful. It is this approach that is going to have the most impact on ensuring Surrey stays safe rather than just catching people after crimes have been committed.

29. 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 final increase of £150m for 2024/25 has been honoured by the Government although it has been added into the Uplift ringfence. The NPCC and APCC are now working on making a submission for the 2024 Spending Review process.

30. As a result of a number of factors out of the Force's control public finances have continued to be squeezed. Inflation has impacted contract costs and despite the Government funding the recent Police pay increase this has not covered the entire cost due to the way it was distributed. Investigating crimes is also becoming more expensive with the increased use of technology and forensics. This is particularly the case with hidden crimes such as modern slavery, cyber, fraud, domestic abuse, and child sexual exploitation.
31. The Government continued to work on its review of the Police Funding Formula during the year and was due to consult on it in 2023. However, this did not happen and with a general election coming in 2024 it is now unlikely that the formula will be reviewed by the current Government. The PCC will continue to lobby local MPs and Ministers to bring to their attention that Surrey continues to be particularly disadvantaged by the current arrangements with the lowest level of funding per head in the country.

### **“OUR PLAN YOUR FORCE”**

32. Mr Tim De Meyer was appointed as the new Chief Constable early in 2023. Since then, he has taken time to visit and talk to officers and staff right across the Force to better understand how they work, what their concerns are and how their job can be made better. He also had discussions with the PCC so as to understand her concerns and those of the public. What he has found is that there are number of areas where Surrey Police does particularly well. These are:

- National leaders in Crime prevention and excellent at solving problems in partnership.
- Good levels of victim satisfaction and confidence
- Innovative and effective at managing offenders.
- Tackling organised crime and investigating homicide
- Policing major events effectively, such as the Epsom Derby, and responded well to protests.

However, he also found a number of areas where the Force could do better. These are:

- Answering calls for service faster and responding to victims more quickly.
- Increasing the number of offenders charged and crimes detected.
- Improvements in productivity.
- Recruiting and retaining staff in a challenging employment market.
- Improving the response to VAWG.
- Maintaining visibility and responding robustly to public concerns about lawlessness in local communities.

33. These findings have now coalesced into the Chief Constable's vision for the Force. Entitled 'Our Plan' this sets out how he will deliver the PCC's Police and Crime Plan and earn the public's trust and confidence through improved performance. Whilst Surrey is comparatively safe there are still concerns about increasing lawlessness and crimes such as shoplifting, burglary and vehicle crime. The Chief Constable's plan seeks to address this by focussing on core elements of policing namely:

- Surrey Police fights crime and protects people.
- We strive to earn the trust and confidence of all our communities.
- Here for everyone who needs us, we put service before self.

34. 'Our Plan' seeks to combine traditional crime fighting objectives of prevention, problem solving, responding promptly, investigation, pursuit of criminals, and victim and witness care, with a focus on productivity, delivering a sustainable quality of service and spending public money wisely. It also seeks to ensure that the workforce is resilient, prepared, fit and healthy. Underpinning all of this is a strengthening focus on standards and ethics.
35. The Chief has the support of the PCC to deliver his plan and he has taken care to ensure that it also supports the delivery of her Police and Crime Plan. However, he is clear that he can only make these improvements if the Force has the resources in place to support its delivery.

### CURRENT FUNDING POSITION

36. 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.
37. Following representation from the NPCC and APCC, the Government announced in the autumn statement that the Council Tax referendum Limit would be increased to £13. Although it would be up to individual PCCs as to what level of increase they precepted, the full £13 increase was assumed in all of the funding announcements made by Government.
38. On 14<sup>th</sup> December 2023, the Minister of State for Policing and Crime, Mr Chris Philp, announced the Provisional Police Grant report for 2024/25. In it the Minister said:
- "This funding settlement demonstrates that the Government remains committed to giving policing the resources they need to keep the public safe."*
- "This settlement will support the police to fulfil their essential role in cutting crime and keeping people safe. I would like to express my continued gratitude and pay tribute to our dedicated police officers and staff for their exceptional dedication and unwavering bravery".*
39. Government funding to PCCs and Forces increased by £620.4m to £9.8bn. The increase was made up of £184.1m for the pay award, £286.3m for pensions and £150m for Uplift. This increase equated to just over 6% - although as it has been distributed by Formula grant shares this will vary from force to Force.
40. £1.038bn was top sliced from Police funding to fund national programs such as technology, the Regional Organised Crime Units (ROCU), Fraud etc. A further £1bn was put into counter terrorism.
41. Were all PCCs minded to take up the full £13 increase in precept, as has been assumed by Government in its announcements, this would result in an additional £302m being available for Forces bringing the total increase in funding to £922m or 6.0%.



42. For Surrey, the provisional settlement is shown in the table below:

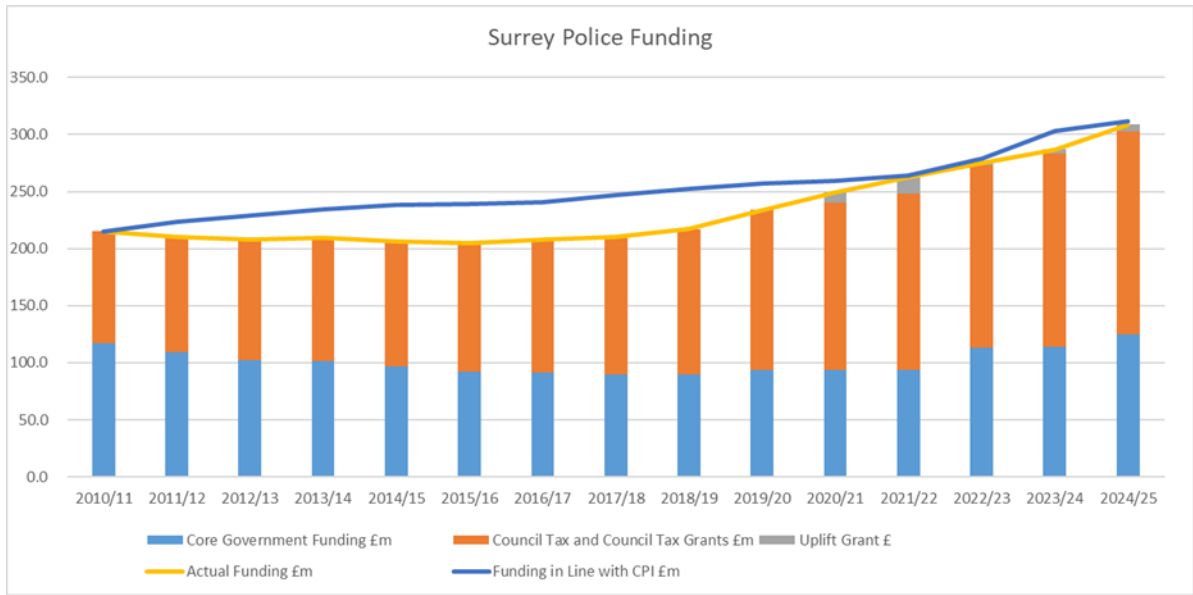
<b>Funding</b>	<b>2023/24 - Final £m</b>	<b>2024/25 – Provisional £m</b>
Principal Funding	76.9	82.8
Revenue Support Grant	34.9	35.8
Legacy Council Tax Grants	9.2	9.2
Operation Uplift	3.6	6.0
Pension Grants	2.0	6.5
<b>Total</b>	<b>126.6</b>	<b>140.3</b>
<b>Increase</b>		<b>13.7</b>

NB £4.3m wages grant was awarded in year in 2023/24 and is not included in the 2023/24 figures above.

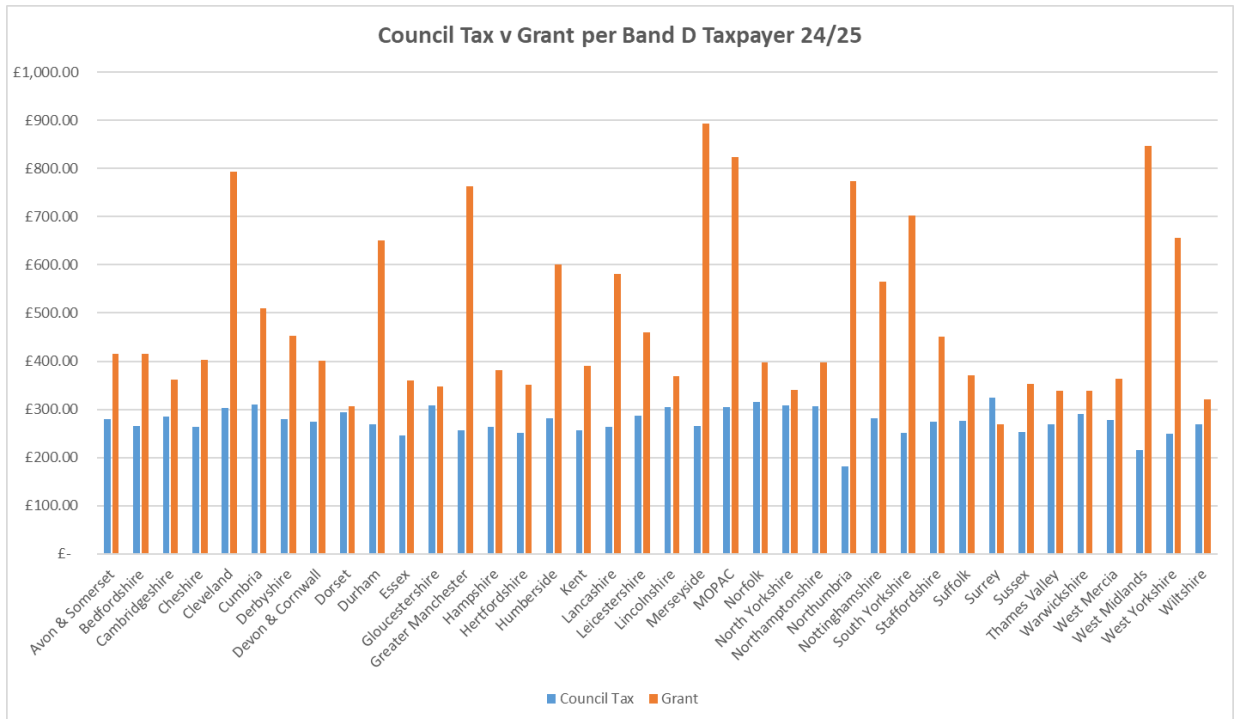
43. The Uplift Grant is made up of two parts. The first part, worth £5.5m, is for maintenance of the original Uplift Headcount. A further grant, of £0.5m, is for additional officers recruited above the Uplift target. The rules for these grants are as follows:

- For the maintenance grant officer numbers must not fall below the Uplift baseline of 2,253 officers on the 30/9/24 and 31/3/25. For each officer below the total, £40,000 will be deducted at each monitoring date. If officer numbers decrease by more than 33 then the whole grant would be lost.
- Uplift, whilst welcome, does also lead to a funding pressure for the Force. All officers are funded at the same level irrespective of where they are based hence although funding of £48,000 is provided for each officer, the actual cost of employing one in Surrey is nearer £55,000. This also does not take account of the costs of equipment, vehicles etc that the officer needs to do their job.
- That said, in order to provide more capacity Surrey agreed to recruit ten officers over Uplift in 2023/24. If these are maintained for the whole year then the additional £0.5m grant is paid. It is likely that there will be another opportunity to recruit over uplift for a financial incentive in 2024/25.

44. The graph below shows the total funding for Surrey Police broken down between Council Tax (assuming a £13 increase for 2024/25) 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 for the first time ever total funding is now almost in line with its real terms equivalent. Whilst on the face of it this is welcome it does not take into account how different the force is now in terms of workforce, demands, technology etc compared with that in 2010/11. The funding of the pay and pension increases is also welcome and has no doubt helped Police finances.



45. What can be seen clearly is that over the years a greater proportion of the cost of Policing has fallen on Council Taxpayers rather than Government. Although grant funding has risen at times it has not always kept pace with rising costs and the gap has been filled with Council Tax. This has meant that in Surrey, 55% of funding comes from Council Tax and only 45% from central Government. Surrey is the only Force where residents contribute a higher proportion of funding to Policing than the Government. This is illustrated in the graph below where the blue bars represent Council tax funding and the orange bars government funding per Band D taxpayer.



46. 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. £128.7m, up 24% from last year, has been provided for national programs as follows:

Police Capital	2024/25
	£m
National Police Air Service	13.1
Arm's Length Bodies	4.0
Police Technology Programmes	111.6
<b>Total</b>	<b>128.7</b>

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

Top Slicing / Reallocations	2023-24	2023-24
	£m	£m
PFI	71.6	71.2
Police Technology Programmes	526.4	500.9
Arms-Length Bodies	74.7	65.7
Police Special Grant	50.0	34.0
National Capabilities Programme	69.3	49.8
Forensics	20.6	13.0
Crime Reduction Capabilities	18.4	0
Fraud	18.1	18.1
Serious Violence Strategy	45.6	45.6
Drugs / County Lines	30	30.0
Regional and Organised Crime	39.5	31.6
Police Productivity		11.0
NPCC Programmes	9.5	7.7
Cyber Crime	14.1	13.1
Tackling Exploitation and Abuse	21.3	17.6
Capital Reallocations	104.9	128.7
<b>Total</b>	<b>1,114</b>	<b>1,038</b>

48. In return for the additional funding, the Minister expected Forces in 2024/25 to concentrate on the Government's key priorities as follows:

- Maintaining 20,000 additional officers (148,433 officers in total nationally) through to March 2025.
- Continuing to deliver on the opportunities presented by modern technology and innovation to deliver improvements in productivity and drive forward efficiencies, therefore maximising officer time and service to the public.
- Improving the visibility of police officers and focusing on providing a targeted approach to tackling crime and antisocial behaviour to make neighbourhoods safer, which should be a priority for all forces.

49. PCCs and other interested parties were invited to respond to the Provisional Settlement by 10<sup>th</sup> January 2024. The PCC responded directly to the Minister setting out her concerns and in particular highlighting:

- The allocation of grants using the formula rather than actual costs.
- the continued shift of the cost of Policing on to residents through Council Tax
- the size of the financial penalties in respect of non-delivery of Uplift
- the lack of funding for investment to drive productivity and efficiency.

The full response is attached as Appendix F

8 50. The final settlement is due to be released on the 30th January 2024. If there are any changes the panel will be advised of this at the meeting

### **CHIEF CONSTABLE'S BUDGET REQUIREMENT FOR 2024/25**

51. On 13<sup>th</sup> December 2021, the PCC launched her Police and Crime Plan for Surrey. This sets out the priorities she 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/Police-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

52. 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.

53. The Force also has to take account of recommendations from HMICFRS and in particular those from the recent PEEL inspection.

54. In preparing the 2024/25 budget for the Force, the Chief Constable has taken account of the priorities within the Police and Crime Plan and the implementation of his Vision for the Force together with the wider operational requirements and the resources that are required to deliver them. This is reflected in his budget requirement for 2024/25 and the resulting precept increase this requires.

55. Last year the PCC approved a total budget of £288.5m for Surrey Police and the OPCC. This year the Chief Constable has proposed a budget of £313.5m to meet his operational requirements. This includes no additional discretionary funding requests, however due to inflation in pay, services and supplies and increases in pensions liabilities the cost to operate the Force has increased by £25m when compared to last year. This is shown in the table below:

Category	£m	£m
<b>2023/24 Revenue budget</b>		<b>£288.5</b>
Adjustments:		
Pay Inflation	14.3	
Price Inflation	2.9	
Revenue - Base assumptions	6.1	
Revenue – Capital Investment	1.2	
Estates Project costs	0.5	
<b>Total Cost Increases</b>	<b>25.0</b>	
Less: Savings	(3.8)	
<b>Total growth in budget</b>		<b>21.2</b>
<b>2024/25 Revenue Budget Proposed</b>		<b>£309.7</b>

56. The main changes are as follows:

- Pay Inflation: Pay increase for 2023/24 plus a 2.5% pay rise estimate for 2024/25
- Price Inflation: Energy plus other contractual increases
- Base Assumptions: £4.6m for Officer Pensions based on an employer rate of 35.3% plus Staff and Officer increments.
- Revenue – Capital: £1m additional revenue to capital contribution plus £200k for debt servicing
- Estates Strategy: Modernisation and redevelopment of HQ and other police estate

57. 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 rises are determined locally as Surrey is outside the Police Staff Council arrangements. This gives the Force more control and discretion in terms of staff pay. The Government, whilst not stating its preferred percentage pay increase, has assumed 2% in the CSR and historically, Forces have on average budgeted 2.5%. Based on recent experience the Government has provided funding to assist with covering any increase above this 2.5% level, and so as a result only a 2.5% increase has been allowed for in the budget for 2024/25. There is a risk that the pay review body will recommend an increase above 2.5% and that it is not funded by Government or, as has been the case recently, the funding is inadequate to fund the pay rise either due to its quantum or the way it is allocated. Each 1% on pay adds £2.3m to costs. Reserves have been set aside to fund this in year but future savings would be needed to balance the budget. This is likely to result in reductions in Police Staff numbers above those already budgeted for with the potential operational impact that could follow.

58. The pay figures, as was the case last year, include an assumption of a 10% vacancy factor for most Police staff posts. This margin is not applied across the Board but on an individual service basis depending on how critical the function is. i.e., Contact carries no vacancy margin. Overall, though only 90% of the establishment is funded, a shortfall of about 200 posts, and indeed these vacancies are needed to balance the budget. At the moment staff vacancies are running at 13% and so there is no problem in achieving this. However, if this were to change then recruitment controls may need to be implemented to maintain the vacancy factor.

59. An element of the transformation work being done is to convert these unstructured vacancies into permanent ones. Whilst this will not realise additional savings it will lead to better efficiencies and more productive use of resources.

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

Category	2024/25 £m	2023/24 £m
Government Grants	140.2	126.6
Net use of Reserves	0.2	1.0
Collection Fund	0.9	1.3
Council Tax	168.5	159.6
<b>Total Funding</b>	<b>£309.7</b>	<b>£288.5</b>

61. The total funding available, and hence the budget presented, assumes that the PCC takes full advantage of the Council tax flexibility given to her by Government. This is the clear recommendation of the Chief Constable.

62. A summary of the entire budget attached as Appendix A.

### SENSITIVITY OF ASSUMPTIONS

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

Sensitivity Analysis	2024/25
1% Officer Pay	1.5
1% Staff Pay	0.8
1% Officer Pension	0.3
1% Staff Pension	0.1
1% Officer vacancy rate	(1.3)
1% Staff vacancy rate	(0.9)
1% Inflation non pay	0.6
1% Grant	1.3
1% Precept	1.6
£10 Precept = 3.2% £ increase from 2% =	2.0

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

### DELIVERY OF 2024/25 BUDGET SAVINGS

65. One of the ways the Force has sustained its services is through the delivery of savings and efficiencies. Historically the Force has delivered significant savings, almost £86m from 2010 to 2024, but as costs continue to increase faster than funding, more savings will need to be found.

66. The Chief Constable in his vision has emphasised the importance of spending money wisely, particularly as the larger proportion of Police funding in Surrey comes from local residents. During the current year there have been number of initiatives undertaken to deliver better value without impacting the front line or staffing. Examples are as follows:

- Review of IT licences to remove applications not used resulted in lower costs.

- Telematics installed in vehicles to monitor driving and record driver behaviour leading to lower motor premiums.
- Challenge of Business Rates valuations resulting in lower business rates bills.
- Analysis of where petrol is purchased and a push for the use of more bunkered and supermarket fuel where possible reducing fuel costs.
- Lowering the ambient temperature in offices to not only reduce are carbon footprint but also lower utility consumption.

These and other initiatives have meant that at least £1m of excess savings have been achieved in 2023/24 resulting in an underspend for that year. This will be used against the savings requirement for 2024/25.

67. In December, the National Policing Productivity Review was published which shows that nationally a considerable number of officer hours could be realised through better working and technology. Some of the initiatives suggested in the review Surrey are already doing, such as “right care right person” for mental health calls, which is being implemented from March 2024, however other ideas will require both investment in capital and time if they are to deliver maximum benefits. It is also worth noting that whilst the objective of the Review is to deliver additional officer capacity this is not the same as the delivery of savings since this will not result in a reduction in the number of officers employed.
68. The 2024/25 budget includes a savings requirement of £4.8m, even with the maximum precept increase. The proposals for savings to meet this are in the table below:

	£m
<b>Overachieved savings from 2023/24</b>	0.3
<b>Joint Force Change</b>	
Change in shift patterns	1.0
Enabling Services restructure	0.5
Technical rationalisation	0.4
<b>Targeted Reviews</b>	
Learning and Development Review	0.2
<b>Tactical savings</b>	
Removal of vacant posts	0.2
Specialist Crime budget review	0.3
Interest on cashflow balances	0.3
Cancellation of DDaT licences	0.1
Operational Command review	0.5
<b>Identified and in process of being delivered</b>	<b>3.8</b>
Remainder to be identified in year	1.0
<b>Total savings required to balance budget</b>	<b>4.8</b>

69. Work will be undertaken during the year to identify more tactical savings. In the short run the £1.0m remaining savings requirement for 2024/25 has been covered by the use of reserves and this is reflected in the budget. However recurrent savings will still need to be identified for this amount for the 2025/26 budget.

## RESERVES

70. As is the case for most public bodies the Surrey Police Group holds financial reserves. These are owned and controlled by the PCC and provide prudent financial resilience.

71. They are required for:

- A contingency fund for unexpected events, costs and overspends.
- To cover savings requirements whilst those savings are being achieved.
- To set money aside for large projects which may need to be funded over several years.

72. It is in the nature of Policing that it is called upon to act immediately in the face of a crisis or incident often with little regard to the cost. For example, with the Pandemic the Force had to fund PPE and overtime as needed without any guarantee this would be reimbursed. Similarly, a large investigation or incident could incur significant costs not anticipated within the budget without any guarantee of reimbursement by Government.

73. The development of a new HQ, which will bring operational, environmental and financial benefits, is one of the largest projects the Force has ever undertaken. As a result, funds have been set aside so as to spread the budgetary impact over a number of years.

74. The projected reserve levels are set out in the table below. General Reserves may be used on anything, but Earmarked Reserves are set aside for a particular purpose. All of the group's reserves are revenue reserves and there are no Capital reserves held by the PCC.

	2023/24 £m	2024/25 £m
<b>General Reserves</b>	<b>8.8</b>	<b>8.8</b>
<b>Earmarked Reserves</b>		
OPCC Operational - <i>For use by the PCC</i>	1.2	1.2
CC Operational – <i>For use by the CC</i>	1.1	1.1
Cost of Change – <i>to improve efficiency and productivity</i>	5.6	4.5
Estates strategy – <i>to support the new HQ</i>	4.4	4.4
CC Op Pheasant – <i>historic case reviews</i>	0.5	0.5
Delegated Budgetary – <i>to cover unbudgeted costs</i>	5.0	5.9
Net Zero – <i>Contribution to net zero work</i>	1.7	1.7
Insurance – <i>to cover excess on claims</i>	1.9	1.6
Police Pension – <i>Ill health strain costs</i>	0.6	0.6
<b>Total Earmarked Reserves</b>	<b>22.0</b>	<b>21.5</b>
<b>Total Reserves</b>	<b>30.8</b>	<b>30.3</b>



<b>%age General Reserves to Net Budget</b>	<b>3.0%</b>	<b>2.8%</b>
<b>%age Total Reserves to Net Budget</b>	<b>10.7%</b>	<b>9.8%</b>

75. It is for the sec151 officers to determine what a prudent level of reserves should be. As a benchmark, guidance from CIPFA states that non-earmarked reserves should amount to at least 3% of the net revenue budget. In order to meet this ideally an additional £600k would be placed into the General Reserves but this would mean that further savings would need to be delivered. As a result, the sec 151 officers have taken the view that including the operational earmarked reserves satisfies this requirement for the moment.

76. Although the level of reserves may seem high this needs to be seen in the context of the size of the Force budget. It is useful to compare the level of reserves that Surrey Police holds with that in other Forces and Councils who are making similar assessments of risk. This is shown in the table below:

<b>Name</b>	<b>Type</b>	<b>%age of NRE</b>
Surrey	Police	11
England average	Police	13
Surrey CC	County	59
Surrey DC	Districts	291
All England	Districts	163

77. Hence in this context the total level of reserves held by the Force is slightly less than the national average and less than other classes of authority in Surrey. To achieve the Forces' national average of 13% a further £9m would need to be put in to reserves. Given the current revenue budget challenges this is unlikely to happen in the near future but is still an aspiration.

78. It is also worth stating that reserves can only be spent once. If they are used to cover a budget shortfall in one year then that gap will still need to be addressed in the following year. Given Council tax is subject to a referendum limit any precept increase not taken up in one year cannot be carried forward to the following year.

## **OPCC BUDGET**

79. The total budget set out earlier in this paper relates to the entire OPCC group i.e., it includes both the OPCC and the Force.

80. There is no change proposed in staffing or any other costs incurred by the PCC for 24/25 compared with 23/24 aside from unavoidable and inflationary increases. These total £171k and are as follows:

- £90k for wages to reflect the pay and pension increases in line with Force staff.

- £66k for external audit as required by the PSAA national audit tender.
- £21k for internal audit to reflect increase in costs for pay and pensions for their staff.
- £10k increase in subscriptions for the APCC nationally agreed.
- -£16k reduction in federation subs for special constables paid for by the PCC

All other cost pressures have been absorbed within existing budgets.

81. The budget for commissioning remains unchanged although the Commissioning team will apply for additional grants during the year as announced by Government. They were particularly successful in 2023/24 with additional funds being awarded over and above that in the budget for use in projects that benefit Surrey residents.

82. The OPCC budget is summarised in the table below:

	<b>2023/24</b>	<b>2024/25</b>	<b>Change</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
OPCC Net Operational Costs	1.496	1.667	0.171
OPCC Net Commissioned Services	1.801	1.801	(0)
Funded from Reserves	(0.250)	(0.250)	(0)
<b>Net OPCC Budget</b>	<b>£3.047</b>	<b>£3.218</b>	<b>£0.171</b>
<b>%age of Group Budget</b>	<b>1.1%</b>	<b>1.0%</b>	
<b>Operational costs as %age of net Budget</b>	<b>0.5%</b>	<b>0.5%</b>	

### IMPACT OF A REDUCED PRECEPT INCREASE

83. The PCC has had several meetings with the Chief Constable where she has discussed in detail his budget requirements for 2024/25 and in particular what the operational impact would be if the maximum precept increase were not recommended.

84. He has told the PCC that the improvements outlined in his vision "Our Plan" would be put at risk without the resources being in place. 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 as they make up the next largest cost. These staff perform vital operational and enabling roles alongside their uniformed colleagues and so the Chief is of the view that any reduction in precept would have an adverse operational impact. The loss of 15 staff for each £1 would lead to more front line officers having to cover non-core policing functions which would in turn means there are less resources to target areas such as shoplifting or anti-social behaviour thereby lessening the overall impact. Hence, he is of the view that the full precept flexibility should be applied.

## COLLECTION FUND AND TAX BASE

85. Collection Fund and Tax Base information is still awaited from a number of Boroughs and Districts. The tax base is set out in Appendix E

## THE 2024/25 CAPITAL BUDGET

86. Although there is no requirement for the PCC to share the proposed Capital Budget with this Panel, in the interests of completeness and transparency it is included for 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 but has set aside revenue for use on Capital projects, such as Estates.

87. As capital schemes are managed over a longer period than one year, the capital budget for 2024/25 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.

88. 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	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
DDaT Renewals	2.1	2.2	1.9	1.9	2.1
DDaT New Schemes	0.5	0.7	0.2	0.2	0.4
Business Led IT Projects - ERP	0.7	-	-	-	-
Fleet Replacement and Equipment	5.2	4.6	4.5	4.4	4.4
Estate Strategy	22.9	29.6	30.0	18.6	2.1
Cost of Change	1.0	2.9	-	-	-
Equipment	0.5	0.2	0.3	0.3	0.3
<b>Total</b>	<b>32.8</b>	<b>40.3</b>	<b>36.9</b>	<b>25.5</b>	<b>9.4</b>

The primary areas of spend proposed for 2024/25 are:

### ICT – in accordance with the DDaT Strategy

- Hardware Refresh including servers.
- Infrastructure and network upgrades
- Network Monitoring Tool
- Update of legacy ERP systems

### Fleet – in accordance with the Fleet Strategy

- Provision of replacement vehicles including adaptation for ANPR and telemetry.

### Specific Capital Schemes – Operations

- Drone Replacement
- ANPR

### Estates

- Continued delivery of Surrey Estates strategy including the new HQ
- Door access, CCTV and alarm replacement

In addition, capital is required to fund any investment to deliver the change transformation to drive savings and productivity improvements.

89. The funding of Capital continues to be a challenge and schemes need to be funded by revenue funds (either from this year budget or in earmarked reserves) or borrowing. During 2023/24 no external borrowing was required but this may not be the case going forward. Ideally any new capital investment proposal should be able to fund itself from efficiency savings. However, some capital is required for operational requirements i.e., vehicles and so this can only be financed from the revenue budget or borrowing.

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

### MEDIUM TERM FINANCIAL FORECAST

91. Although not required for the Panel it is important that Members are aware of the potential financial challenges the Force faces over the next 4 years. As members will appreciate, it continues to be difficult to make any predictions for the future given that the current spending review period ends on the 31<sup>st</sup> March 2025 and there is still some uncertainty around inflation and interest rates. However, based on "best guess" assumptions the Force will need to find savings as set out in the table below:

	<b>2024/25</b> <b>£m</b>	<b>2025/26</b> <b>£m</b>	<b>2026/27</b> <b>£m</b>	<b>2027/28</b> <b>£m</b>	<b>Total</b> <b>£m</b>
Savings required	3.8	7.1	4.4	2.8	18.1

92. For 2024/25 the savings requirement is £4.8m. However as only £3.8m has been identified, although not all delivered, at the time of budget setting £1m has been used from reserves to balance the budget as required. This has increased the savings requirement for the following year. Any reduction in the precept or cost increases would add to the savings required.

93. The Force is working on a number of initiatives to deliver the savings required. Some of these are being worked up for implementation over the next few years but there are still further savings that need to be identified. The level of savings required in future years is dependent on how quickly savings are delivered as well as changes in the assumptions underpinning the Medium-Term Financial Forecast.

94. A summary of the MTFE, risks and associated assumptions is shown in Appendix B

**PUBLIC ENGAGEMENT AND PRECEPT CONSULTATION**

95. On 19<sup>th</sup> December 2023, the PCC launched a consultation on the Precept. This gave residents a number of options for precept increases as follows:

- Below £10 year or 83p a month,
- £10 a year or 83p a month
- £11 a year or 92p a month
- £12 a year or £1.00 a month
- £13 a year or £1.08 a month

96. Residents were also able to choose three areas they would like the Force to prioritise in the coming year. The survey was promoted as widely as possible through local media such as In the Know, Next Door, Facebook, X (Twitter), Force media channels, Councillors and OPCC contacts etc.

97. The PCC also held a number of online and in person events in each District/Borough to consult with residents directly.

98. The results of the consultation are not binding on the PCC but is one of the factors that the PCC considers when proposing a precept increase.

99. To give residents time to respond the consultation is not due to close until the 30<sup>th</sup> January. An update on the results of the consultation will be shared with the panel at the meeting.

**LEGAL CONSIDERATIONS**

100. 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 1<sup>st</sup> February. The Panel is required to respond with a letter to the PCC by the 8<sup>th</sup> February on the proposed precept, whether it vetoes it or not.

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

102. In order to veto the PCC's 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 8<sup>th</sup> February. The PCC then has to respond to this and issue a revised precept taking account of the panel's comments, by 15<sup>th</sup> 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.

103. The panel must review the revised precept by 22<sup>nd</sup> February and indeed a meeting of the panel has been scheduled in for this on 19<sup>th</sup> February 2024. The panel must then make a second report to the PCC by 22<sup>nd</sup> February indicating whether it accepts or rejects the revised precept and also whether it makes any recommendation on the precept to be issued.

104. The PCC has to consider and respond to this report by 1st March. However, even if the Panel does not accept the revised precept, the PCC can still issue it or a different one, having considered the Panel recommendations. The PCC has to do this by 1<sup>st</sup> 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.

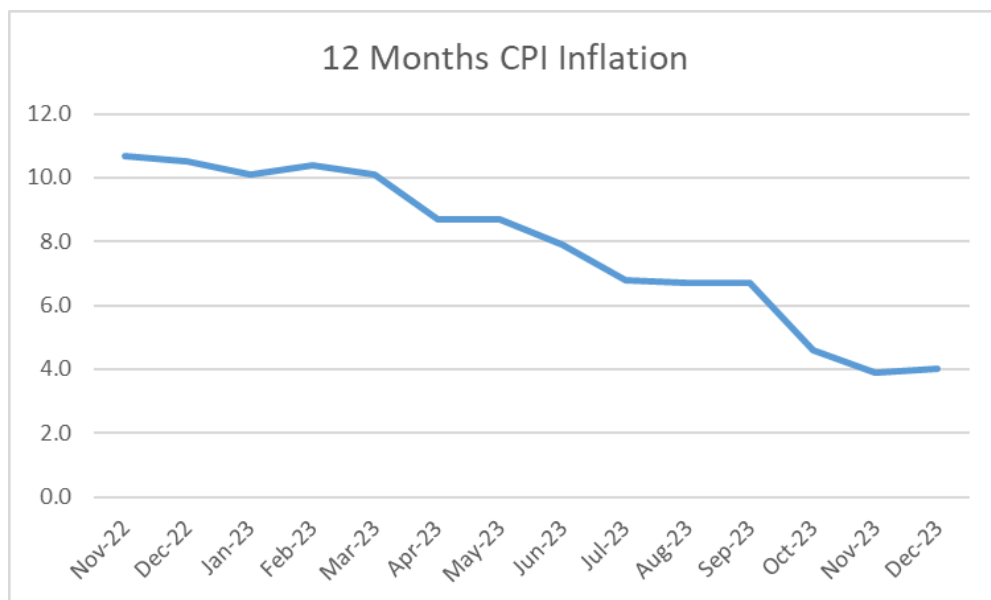
105. As this date will be after most Borough and districts precept setting meetings they have been advised to set up a precept approval sub-committee of full Council in advance. This will ensure that full Council does not have to be convened again in order to approve the precept.

106. In addition, it should be noted that the Government has set the “Referendum Limit” at £13 for 2024/25. Any increase above this amount will be subject to a local referendum at the Force’s expense. It is also worth restating that 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 FROM THE OPCC CHIEF FINANCE OFFICER AND SEC151 OFFICER**

107. Although inflation has recently fallen the increase in the cost of living over the past year has been felt by many Surrey residents. Surrey Police’s own officers and staff were not immune to this which the pay review body rightly sought to address. This though coupled with increased costs and inequalities in the way funding is distributed only added to the pressure on our budget.

108. In percentage terms a £13 increase is just under 4.2%. This increase is only just above the December CPI rate of 4.0% and well below the rolling inflation rate over the past 12 months as can be seen in the graph below:



109. Whilst the Government has increased funding for Forces this year, through its grant for pay, this has not fully funded the increase in costs. Furthermore, in response to mounting concerns about Police funding, the Government not only increased the



referendum threshold to £13, but assumed in its funding calculations that all PCCs will increase their precept by the full amount.

110. The Medium-Term Financial Forecast sets out the requirement for Surrey Police to continue to make savings over many years. This will not be easy to do given the level of savings already made and seeking not to impact frontline services. The Force also has an increasing need to modernise its equipment and estate to enable it to be more productive and this can only come from the revenue budget. Finally, the Chief Constable has an ambitious plan to modernise the Force, but this can only be achieved with adequate investment.
111. Although not required for the purposes of this report, the OPCC Chief Financial Officer will be required to report on the robustness of the budget and precept calculations before the PCC approves the budget and precept in accordance with section 25 of the Local Government Act 2003. He has identified two major financial risks as follows:
- a. In respect of pay only a 2.5% has been budgeted for in line with Government assumptions within the settlement. However, given the level of recent inflation there is a risk that the independent pay review body may recommend a higher figure. Although the Government has funded this in the past this is not guaranteed and if the Force had to make up the gap there are adequate reserves to cover this cost in the short term whilst further savings are delivered.
  - b. Even with the £13 proposed precept increase the Force will still need to make savings over the medium term. Although plans are in place or being developed to deliver these this will still present a challenge. Were this not to happen more extreme measures, such as a vacancy freeze, would need to be considered to balance the budget despite the operational impact this may have.

Having taken this into account, the OPCC Chief Finance Officer states that he believes 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. He is also satisfied that financial risks are being managed in the medium term.

112. Hence, in conclusion the Chief Constable together with the Force and OPCC Sec 151 Officers, are of the view that the PCC should increase the Council Tax by the maximum permitted level of £13. This will enable the Force to remain financially sustainable into the medium term, support the delivery of the Chief Constable's vision for the Force and maintain services for the residents of Surrey.

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

<b>Band</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Increase</b>
A	207.05	215.71	8.66
B	241.55	251.67	10.12
C	276.06	287.62	11.56
<b>D</b>	<b>310.57</b>	<b>323.57</b>	<b>13.00</b>
E	379.59	395.47	15.88
F	448.6	467.38	18.78
G	517.62	539.28	21.66
H	621.14	647.14	26.00

## RISKS

114. 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, the Chief Constable's Vision and the Strategic Policing Requirement, but also to future financial sustainability. This would lead to immediate savings being needed resulting in staff reductions with the potential for impact on operations.

115. Other risks are set out in Appendix D

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## Surrey Police Group Budget 2024/25

	2023/24	2024/25	Change
	£m	£m	£m
<b>OPCC</b>			
Net Budget	3.00	3.20	0.20
	<b>3.00</b>	<b>3.20</b>	<b>0.20</b>
<b>FORCE</b>			
North Division	30.30	33.60	3.30
East division	32.50	35.90	3.40
West Division	34.50	38.30	3.80
Specialist Crime	42.70	46.70	4.00
Operations	19.90	22.00	2.10
Contact and Deployment	21.20	22.50	1.30
Criminal Justice	13.90	14.80	0.90
Volunteering	1.70	1.80	0.10
	<b>196.70</b>	<b>215.60</b>	<b>18.90</b>
Chief Officers	1.90	2.10	0.20
DCC	5.50	6.10	0.60
PSD	3.60	4.50	0.90
Corporate Communications	1.60	1.70	0.10
Corporate Development	0.20	0.90	0.70
Change Delivery	0.80	0.80	0.00
	<b>13.60</b>	<b>16.10</b>	<b>2.50</b>
ICT	18.20	19.00	0.80
Finance, vehicles, estates etc	23.60	25.40	1.80
People Services	14.80	16.10	1.30
Corporate (net of savings)	18.60	18.10	-0.50
Savings		-3.80	-3.80
	<b>75.20</b>	<b>74.80</b>	<b>-0.40</b>
<b>Force Total Budget</b>	<b>285.50</b>	<b>306.50</b>	<b>21.00</b>
<b>Group Total Budget</b>	<b>288.50</b>	<b>309.70</b>	<b>21.20</b>
<b>FUNDED BY:</b>			
<b>GRANTS</b>			
Home officer Police Grant	76.80	83.50	6.70
Formula funding	35.00	35.00	0.00
Legacy CTax Grant	2.50	2.50	0.00
Council Tax Support	6.80	6.80	0.00
Officer Pension Grant	1.90	6.50	4.60
Uplift Grant	3.60	6.00	2.40
	<b>126.60</b>	<b>140.30</b>	<b>13.70</b>
<b>OTHER FUNDING</b>			
Use of Reserves	0.1	0.2	0.10
Collection Fund	1.2	0.9	-0.30
Council Tax	160.6	168.3	7.70
	<b>161.90</b>	<b>169.40</b>	<b>7.50</b>
<b>Total Funding</b>	<b>288.50</b>	<b>309.70</b>	<b>21.20</b>

### Medium Term Financial Forecast based on current assumptions

Precept £13 24/25 then 2% all years. 0% grant increase from 2025/26. Officer pay award at 7.0% 23/24 then 2.5% + 2.5% contingency (Sep23 to Aug24) then 2% each year. Staff pay award at 4.0% from April 23 then 5% Apr24 - Mar25 then 2% each year. Non pay 5.5% 24/25 then 2% each	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
<b>REVENUE COST BASE</b>					
Base budget	279.1	288.5	309.7	311.9	316.7
Pay Inflation	9.3	14.3	7.0	5.0	4.9
Price Inflation	1.3	2.9	1.1	1.1	1.1
Revenue - Base Assumptions	1.2	6.1	0.6	1.1	1.1
Revenue - Capital Investment	-	1.2	2.6	1.9	0.8
Unavoidable Costs	2.2	(0.1)	(0.1)	-	(0.7)
Cost of Change net	0.6	0.0	(1.8)	-	-
Service Growth	(2.3)	0.0	0.0	0.0	-
Estate Strategy Project Expenditure	(0.4)	0.5	(0.1)	0.2	-
Precept Investment	-	-	-	-	-
Operation Uplift	(0.9)	-	-	-	-
<b>Total Cost Increases</b>	<b>11.0</b>	<b>25.0</b>	<b>9.4</b>	<b>9.2</b>	<b>7.2</b>
<b>Gross Budget Requirement</b>	<b>290.1</b>	<b>313.5</b>	<b>319.1</b>	<b>321.1</b>	<b>324.0</b>
<b>Annual Savings Requirement</b>	<b>(1.6)</b>	<b>(3.8)</b>	<b>(7.1)</b>	<b>(4.4)</b>	<b>(2.8)</b>
<b>Total Gross Budget</b>	<b>288.5</b>	<b>309.7</b>	<b>311.9</b>	<b>316.7</b>	<b>321.2</b>
<b>FUNDING</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Home Office Grant	76.9	82.8	82.8	82.8	82.8
Revenue Support Grant	35.0	35.7	35.7	35.7	35.7
Council Tax Support Grant	9.2	9.2	9.2	9.2	9.2
Operation Uplift Performance	3.6	6.0	5.0	5.5	5.5
Specific Grant	2.0	6.5	6.5	6.5	6.5
Local Council Tax Scheme Grant	-	-	-	-	-
General Reserves	(2.0)	-	-	-	-
Specific Reserves -					
Estate Strategy	-	-	-	-	-
Cost of Change	2.1	1.1	-	-	-
Delegated Budget Holder Reserve		(0.9)	-	-	-
Surplus/(deficit) on Council Tax Collection Fund	1.2	0.9	-	-	-
Base precept	150.8	160.6	168.4	172.6	177.0
Taxbase Improvement	2.0	1.1	0.8	0.9	0.9
Precept increase	7.8	6.8	3.4	3.5	3.6
<b>Total Funding</b>	<b>288.5</b>	<b>309.7</b>	<b>311.9</b>	<b>316.7</b>	<b>321.2</b>

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

	<b>Unit</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Capital Grant	£m	0	0	0	0
Home Office Grants Increase	%	As is	0	0	0
Precept Increase	£/%	£13	2%	2%	2%
Tax Base change	%	0.7	0.5	0.5	0.5
Police Staff Pension contribution Rate	%	16.5	16.5	16.5	16.5
Police Officer Pension Contribution Rate	%	31.0	31.0	31.0	31.0
Police Officer Pay	%	2.5	2.0	2.0	2.0
Police Staff Pay	%	5.0	2.0	2.0	2.0
Other inflation	%	3.0	2.0	2.0	2.0
Reserve levels as %age NBR	%	3.0	3.0	3.0	3.0
Vacancy Rate - Officers	%	1.0	1.0	1.0	1.0
Vacancy Rate - Staff	%	10.0	10.0	10.0	10.0

## RISKS WITH THE BUDGET AND MEDIUM-TERM FINANCIAL PLAN

Title	ASSUMPTION	COMMENT
<b>Pay and price budgets and establishment control</b>	<p>Provision for national pay awards of 7% for 2023/24, 2.5% for 2024/25 and 2% for future years</p> <p>Staff turnover and increments based on detailed analysis of current staff profile and trends.</p>	<p>Risk of pay requirements exceeding the budget provision.</p> <p>Whilst the number of police officer leavers is difficult to predict, recruitment and promotions are managed during the year across Sussex Police to match staffing need and resources to budget.</p> <p>Detailed analysis of employee costs is carried out in setting the budget with close 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 will 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> <p>Loss of or reduced grant due to not achieving and maintaining required Uplift targets (see Uplift Performance Grant)</p>
<b>Uplift Performance Grant</b>	<p>Full performance grant will be received</p>	<p>Risk of loss of or reduced grant due to not achieving and maintaining required Uplift targets.</p> <p>The forces have to meet their headcount target at September 23 and March 24 to receive 50% of the grant at each point. For each officer below the headcount £40k will be withheld up to 1% of the target, if more than 1% below target all the grant will be withheld.</p> <p>Future year funding for the additional officers is currently unknown anticipated to be included in the provisional settlement.</p>
<b>Non-Pay Inflation</b>	<p>Current inflation planning is at 5.5% Surrey for 2024/25 and 2% for future years</p>	<p>Risk of non-pay inflation exceeding the budget provision</p> <p>Bank of England is forecasting that inflation has peaked and will decrease rapidly early in 2024/25. Any significant fluctuation in costs will be monitored through the monthly forecasting process and at the monthly CFO Risk Meeting.</p>

<b>Savings Plan</b>	Budget includes savings	<p>Risk the MTFF savings requirement is not met.</p> <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 the Tactical Savings Working Group continues to review other areas where savings can be generated.</p> <p>The savings planned in the first year of the four-year plan are within the reserves available but would be exceeded in subsequent years if not delivered.</p>	8
<b>Police Pension</b>	McCloud and Sergeant Implementation	<p>Risk that the cost to the Force for the Police Pension scheme increases it is expected that this would be covered by the Home Office</p> <p>Police pensions along with many public sector pensions were reviewed to ensure a fairer balance between public purse and pensioners. The scheme was changed to a Career Average Revalued Earnings (CARE) scheme which included transitional arrangements. These arrangements were challenged and accepted by the tribunal. The assumption is that no further costs will fall on the police fund following the statement below:</p> <p><b>James Cartlidge MP, Hansard, Second Bill Reading HoC 5 January 2022</b></p> <p>"The cost of the remedy is estimated to increase pension scheme liabilities by £17 billion, so it is the scheme liabilities that increase. However, that liability will be realised over many decades. It also represents a small proportion of the total savings of around £400 billion that will arise from the wider reforms to public service pensions. To be absolutely clear, the liability will fall on the Exchequer. I hope that offers clarification".</p>	
<b>Threat to the sum of core government funding received by the PCC following a change in the police funding formula</b>	Review and initial consultation expect in the future	<p>A review of the grant distribution method, known as the 'formula review,' has been in planning for several years. Significant work has already been undertaken by PCCs and police to provide the body of evidence that will be required to convince HM Treasury of the financial requirements for policing bodies. The Home Office has now opened the review again. No assumptions regarding a change to grant levels has been included as it is expected that transitional arrangements will be implemented by the Home Office to manage any changes to allocated grant resources.</p>	

<b>Maintaining &amp; improving service performance levels</b>	Resources sufficient to meet targets and priorities in the Police and Crime Plan and Chief Constable Priorities	<p>There is a risk that the Force is unable to maintain &amp; improve service performance levels</p> <p>The Chief Constables believe that there are sufficient resources to deliver future Police &amp; Crime Plan priorities, Chief Constable Priorities and Strategic Policing Requirement. However there remains risk from the cost of major operations including counterterrorism, major incidents including pandemics, particularly if these are not fully funded nationally.</p> <p>Home Office will be publishing its productivity review expectations over the next couple of months</p>
<b>Limits to Precept Increases</b>	£13 in 2024/25 and 2% thereafter.	There is a risk that precept funding is reduced through lower precept limits or PCC decisions.
<b>Grant Levels</b>	<p>No change to Main police revenue grant</p> <p>Capital Grant removed</p>	<p>2024/25 is last year of three-year settlement. The next SR is yet to be determined hence funding could rise or fall over that term.</p> <p>Capital Grant discontinued in 2021/22 and assumed will not be reinstated.</p>
<b>Council Tax</b>	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.</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>
<b>Budget Estimates (Expenditure)</b>	Provision for specific on-going cost pressures	<p>The budget estimates including all identified additional costs for 2024/25, 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 receiving a substantial assurance opinion.</p>

<p><b>Levels of Reserves</b></p>	<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>Risk that reserves levels are inadequate</p> <p>Currently used to finance the capital and investment programme and major change initiatives. It remains a risk that the level of reserves is inadequate to meet unplanned demand and unexpected costs.</p> <p>An annual review of all reserves is undertaken at budget setting. As the overall Force budget is increasing further transfer to reserves will be needed in order to meet the stated limits over the period of the MTFF. Specific reserves are being employed to reduce the pressure on the revenue budget.</p> <p>A reserve by its nature can only be employed as a one-off cash injection The savings planned in the first year of the four-year plan are within the reserves available but would be exceeded in subsequent years if not delivered.</p>	<p>8</p>
<p><b>Interest rates, investment and borrowing</b></p>	<p>Interest rates assumptions</p> <p>Borrowing at fixed rates.</p>	<p>Forecasts of investment income for 2024/25 onwards are based on estimated cash balances and interest rate forecasts as set out in the treasury management strategy. As part of the borrowing strategy in support of financing long term assets the ability to employ internal and external borrowing has been established which will be instigated by the Chief Finance Officer for the PCC.</p>	
<p><b>Overtime</b></p>	<p>Additional cost of overtime and associated costs</p>	<p>Whilst action will be taken to mitigate the overtime and other additional costs relating to policing public order operations, significant costs may be incurred on anticipated events in 2024/25. The Force is following nationally agreed guidelines on the policing of events and cost recovery to reduce any impact of supporting other Forces. It is proposed that any in-year over-achieved savings will be used as a first source for funding, otherwise other revenue budget and operational reserve provides potential sources of funding if necessary.</p>	
<p><b>Operational Demands</b></p>	<p>Public protection</p>	<p>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.</p>	
<p><b>Capital Programme</b></p>	<p>Latest plans</p>	<p>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</p>	

		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.
<b>Capital Financing</b>	MRP is calculated on an asset-by-asset basis	This Capital Financing risk is of charges being greater than budgeted. This is mitigated by considering revenue and capital implications of major project spend within the capital and investment planning process and inclusion within the MTFF. The MRP debt repayment provision is calculated on individual assets and 100% of borrowing has fixed term rates, thus will not be impacted by changes in interest rates. Borrowing is planned to finance the capital programme within this MTFS.
<b>NPAS</b>	Latest plans	There is ongoing discussion on this collaboration agreement which may impact budgetary requirements
<b>National ICT Programmes</b>	Latest plans	<p>There is a risk that delays to the implementation of national DDaT schemes including ESMCP, NLEDS &amp; HOB could lead to additional costs for Forces. 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.</p> <p>Delays with ESMCP have been mitigated by renewing airwave devices albeit at some cost</p> <p>There is also a risk that budget for national ICT programmes will increase for 2024/25 resulting in a higher level of top slicing.</p>
<b>Digital Forensic Costs</b>	Outsourcing costs will increase by c25%	Contract with current supplier was extended in January 23. Revised costs are at a 25% increase due to the supplier's main expenditure being staff, thus they face the same recruitment and retention issues from a limited pool of practitioners nationally. With the investigations Surrey & Sussex face being at a complex level it means competitive salaries are essential for them especially when combined with the current cost of living crisis and inflationary pressures.
<b>Physical Forensic Costs</b>	Forensic fees will increase by c10%	New physical forensic contracts were awarded earlier in 2022/23 and commenced in July 22. The Business Case assumed a projected 20.5% price increases across the consortium. However even with these increases some suppliers have found it to be financially challenging. This, coupled with increased demand by Forces, is leading to an increase in instability in the market and potential cost increases.
<b>Dogs &amp; other seized Animals</b>	No additional provision but to be kept under review	Potential continued increased demand for kennelling for seized animals.



## TAX BASE 2024/25 – To be completed.

Authority	Tax Base	Collection Fund Surplus/Deficit	Precept	Total due to Surrey PCC
		£	£	£
Elmbridge	66,517.00			
Epsom and Ewell	33,762.40			
Guildford	59,890.40			
Mole Valley	41,693.10			
Reigate and Banstead	64,252.30			
Runnymede	35,495.80			
Spelthorne	39,241.00			
Surrey Heath	39,749.50			
Tandridge	39,128.00			
Waverley	58,262.30			
Woking	42,455.40			
<b>Total</b>	<b>520,447.20</b>			

*Information is still awaited from a number of Borough and Districts. An update will be supplied at the meeting.*

**PCC Response to the 2024/25 Provisional Settlement**

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18th December 2023

Rt Hon Chris Philip  
Minister of State (Home Office)  
Crime and Policing Group  
6<sup>th</sup> Floor, Fry Building  
2 Marsham Street  
London  
SW1P 4DF

[policeresourcespolicy@homeoffice.gov.uk](mailto:policeresourcespolicy@homeoffice.gov.uk)

Dear Chris

Consultation Response to the Provisional Police Grant Report 2024/25

Firstly, can I say how grateful I am that you have recognised the critical work that our Police Officers carry out on a daily basis and that this has been reflected in the settlement. It cannot have been easy against all the conflicting claims for increased public expenditure, including within your own Department, to prioritise Policing and ensure that the recent pay award has been funded in full.

Allocation of additional Grants

Whilst being thankful for the additional resources that have been made available to Policing, I am concerned about the way these have been allocated. Once again rather than being allocated in proportion to costs incurred i.e., for pay linked to headcount or payroll costs, these grants have been allocated using the outdated formula grant model. This is a particular issue for Surrey where only 45% of our total budget is covered by grant compared with over 80% in Northumbria. This means that Northumbria gets 77% more of the additional pay grant for the same level of cost compared to Surrey.

I did write to you about this when the pay grant was originally announced, and you assured me that the allocation method would be changed but so far this has not happened.

Pension Grant

The Police pension scheme continues to be an incentive for recruitment and is a valued benefit amongst officers and so I am pleased that the Government has agreed to cover the additional cost of providing this following the recent revaluation of the scheme. However, I would like to be

reassured that this commitment to funding by Government is ongoing and therefore request that the grant be included within the funding baseline.

### Uplift ringfence

There is no doubt that the delivery of Uplift has been of great benefit not only to Forces but also local residents. Whilst I can accept that the Government does not want to put at risk the improvements in Police officer numbers that have been achieved, I am concerned that that a further £150m has been added in to the ringfenced uplift grant. This £150m was promised as part of the original spending review annual increase and not part of Uplift and therefore I request that it be included within the core funding baseline rather than Uplift.

### Productivity Review

No doubt you have been as interested as I have in the findings of the Police Productivity review. It has highlighted a number of areas where the more efficient use of technology and streamlining of processes could free up a significant amount of operational capacity to tackle the growing demands put on forces across the country. I understand that you are now deciding on next steps and would ask that as part of this consideration be given to providing forces with capital resources to fund the purchase of new equipment to enable these efficiencies to be realised.

Finally, I would like to reiterate again my gratitude for the additional funds you have been able to secure, and I look forward to working with you through the next year.

Yours sincerely,

**Lisa Townsend**  
Police and Crime Commissioner



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