

Police and Crime Commissioner for Surrey – Decision Making Record

Report Title: Approval of the Council Tax Precept, Revenue and Capital Budgets for 2022/23
Decision number: 004/2022
Author and Job Role: Kelvin Menon, OPCC Surrey Treasurer
Protective Marking: OFFICIAL

Executive Summary:

On the 4th February 2022 the Police and Crime Panel agreed the proposal of the Police and Crime Commissioner for Surrey to issue a band D council tax precept for the Surrey area of £295.57. There are statutory requirements for the Commissioner to calculate the budget requirements and formally issue a precept for the financial year and this report meets those requirements.

In addition, it is the responsibility of the Police and Crime Commissioner to set the Revenue and Capital Budgets for the year and this report also meets those requirements

Background

A report is attached to this decision notice

Recommendation:

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

- The proposed revenue and capital budget 2022/23;
- The calculations of council tax in 2022/23 in accordance with sections 43, 44 and 47 of the Local Government Finance Act 1992, as amended;
- The council tax precept of £295.57 for band D to be issued in 2022/23;

Police and Crime Commissioner Approval

I approve the recommendation(s):

Signature: Lisa Townsend (wet signature available on hard copy)

Date: 11/02/2022

All decisions must be added to the decision register.

The Police and Crime Commissioner for Surrey

Approval of the Council Tax Precept and Revenue and Capital Budgets 2022/23 Report by Kelvin Menon, Treasurer to the Police and Crime Commissioner for Surrey

Purpose of the Report

1. The purpose of this report is to request the Police and Crime Commissioner for Surrey (the PCC) to approve the revenue budget, capital programme and precept for the financial year 2022/23 and issue a demand to the billing authorities as a major precepting authority.

Background

2. The Local Government Finance Act 1992, as amended by the Localism Act 2011 sets out the requirements for the Commissioner to consider council tax calculations by major precepting authorities.
3. This report sets out the proposed revenue budget and capital programme for 2022/23, together with a review of the current year's budget position to allow a budget and council tax to be approved in accordance with legislative requirements.
4. In preparing the Revenue and Capital Budgets for 2022/23 the PCC has considered the following issues:
 - The financial settlement from Government to the Police for 2022/23;
 - The recommendations of the of the Police and Crime Panel in respect of Council Tax;
 - The key principles underlying the four-year Medium Term Financial Strategy 2022/23 – 2024/25 (MTFS);
 - The likely revenue and capital outturn for 2021/22;
 - The efficiencies to be made in 2022/23;
 - Delivery of the Police and Crime Plan;
 - Planned investments;
 - The options for the council tax precept;
 - Reserves;
 - Risk associated with the budget for 2022/23 and beyond
 - The view of the Chief Constable on resourcing operational requirements

Where we have come from

5. In 2016/17 the MTFS published by the Force showed that savings for the 4 years to 2020/21. This showed that in those next 5 years total savings of £24.7m would be required and that the gross budget at the end of 2021/22 would be to £216m. Over the next 2 years officer numbers fell 1,944 to 1,874 as a result of cuts however taking advantage of permission to increase precepts above inflation and the uplift program numbers began to rise again to an establishment figure of 2,194 by 31st March 2022. The budget has also risen to £250m in the same period. However due

to Surrey having the lowest Government Grant per head in the country this has only been possible by Surrey Council Taxpayers paying an increasingly larger proportion of policing costs. The 2021/22 settlement and precept enabled a further 83 Police officers and 77 specialist staff to be recruited to support front line policing.

Where are we now

6. The Government is determined to continue to strengthen the police service to tackle serious violence, particularly against women and girls, as well as increase the number of specialist officers tackling terrorism and serious organised crime including drug trafficking and child sexual abuse.
7. It has undertaken to continue with final investment to deliver the last 8,000 officers in 2022/23 of the original 20,000.
8. The 2022/23 settlement announced on the 16th December 2021 by the Home Secretary Pritti Patel who said:

“This Government is absolutely committed to keeping the public safe; the police have a critical role to play in this, and in reducing crime. We are determined to strengthen our police service and, by providing a three-year Spending Review settlement, we are giving the police the financial certainty and stability needed for longer-term, strategic reforms”

“This Government has once again set out its commitment to giving the police the resources they need to cut crime and keep the public safe – setting out today how up to an additional £1.1 billion will be invested in the policing system in 2022/23. I would like to pay tribute and express my sincere gratitude to our police officers and police staff for the extraordinary bravery and dedication they display each day, to keep us all safe from harm.”

9. The settlement, which was for 1 year only even though the spending review covers 3, increased Police funding nationally by £1.1bn. Of this £796m was passed on the territorial forces consisting of £550m to fund the recruitment of the last 8,000 Uplift officers and £246m from Council Taxpayers. This was on the assumption that all PCCs would increase their precepts by £10 – the maximum permitted without a referendum. All other grants to individual Police forces were frozen.
10. Given the spending pressures the Force is under, as regards pay and inflation, even increasing the precept to £10 does not give any scope for further investment. Rather this year the precept is required to sustain the services that are already in place.
11. The Chief Constable made clear at a recent Performance Meeting with the PCC that any increase below £10 would lead to a recruitment freeze and thus impact operations.

Listening to the Public

12. During the year the PCC has undertaken various types of consultation, albeit within the Covid restrictions, to ascertain what the public want the Police priorities to be. These are now reflected in the Police and Crime Plan for 2021-25, which was published in December 2021. The priorities that the PCC has given to the Chief Constable and 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

13. The PCC has also undertaken an online consultation on her proposed precept of £10 and this is covered later in this paper.

Overall Financial Picture and Four-Year Plan

14. The MTF5 sets out the financial context for the revenue budget, capital programme and precept for the next financial year 2022/23 and estimates for a further three financial years.

15. It brings together all resources including grant, precept, fees and charges, income for special policing and use of reserves and capital.

16. This sets out that the plans are affordable over the four financial years. It also addresses risk. The MTF5 covers four years however as the settlement from Government was only for one year there is a lot of uncertainty around years 2 to 4.

17. Despite the future uncertainty a Financial Forecast has been prepared on the basis of a number of key assumptions. These are set in more detail in the Appendix C2 but the main ones are:

- No increase in Government funding except for uplift;
- Council Tax rises set at £10 for 2022/23 and then capped at 2%
- Pay and general inflation 2%
- No change in cost base

18. The Financial Forecast (Appendix C) shows that there will be an ongoing need for future financial savings on top of those already achieved. Whilst the forecast itself predicts that these could be £14.3m over the 3 years from 2023/24 the specific amount will depend on circumstances at the time. However, there is no doubt that savings will be required – it is only the quantum that is in doubt.

Police Financial Settlement 2022/23

19. The Police financial settlement was announced on the 16th December 2021. Although this is subject to consultation it is unlikely to change.

20. An increase in funding of £1.1bn of which Forces could potentially receive £796m provided PCCs increased their Council Tax by £10.

21. In addition, nationally the settlement also included:

- £1.0bn on Counter Terrorism
- £0.6bn for Police technology programs.
- £0.2bn for national capital programs such as NPAS, serious crime and technology.
- £0.2bn on National and Regional Crime.
- £0.4bn on Crime prevention, Serious Violence, and several other initiatives

22. In return the Government expects the police to deliver:

- 8,000 further officers on top 12,000 already recruited. This equates as 104 officers for Surrey of which 98 will join the Force and 6 will join SOC. The ring-fenced grant of £100m, will be paid to forces in line with their progress in recruitment.
- £100m of cashable efficiency savings delivered from force budgets by 2024-25. For 2022-23, the government is expecting to see £80m of efficiency savings (which has been reflected as part of the settlement). Furthermore, the Government also want to see improvements in productivity through the use of modern technology infrastructure and interoperable systems. Productivity improvements will be measured through the existing Efficiency in Policing Board.
- The Government also expects PCCs to continue to take responsibility for crime outcomes both locally and nationally. An additional £150m of government funding for crime reduction funding over the next three years will be provided to allow the continuation of the existing programmes in each area, as well as some new investments to prevent crime and keep communities safe

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

Funding	2021/22 Final £m	2022/23 Provisional £m
Principal Funding	72.2	78.6
Revenue Support Grant	32.9	32.9
Legacy Council Tax Grants	9.2	9.2
Operation Uplift	1.3	1.7
Pension Grants	2.0	2.0
Total	117.6	124.4
Increase		6.8

24. The Operation Uplift element above only covers part of delivering the new officers. It has been separated out as it acts as an incentive and is only payable when the new officers have been recruited.

Budget Growth

25. At the start of the budget process services are asked to submit their unavoidable growth bids for possible inclusion within the budget. These bids go through a rigorous challenge process to ascertain whether they are indeed unavoidable, and a large number are dismissed because of this process. The biggest growth by far is as a result of an anticipated 3% pay increase following a pay freeze last year. Each 1% on pay costs around £2.1m equivalent to £4 on the precept. The total growth and the resulting budget is set out in the table below:

Category	£m	£m
2021/22 Revenue budget		£261.7
Adjustments:		
Pay Inflation - 3%	6.3	
Price Inflation	0.8	
Operation Uplift	5.6	
Pay increments	1.3	
Additional Bank Holiday	0.2	
Increase in NI for social care	1.5	
Capital funding and debt repayment	1.3	
OPCC investment	0.5	
ICT and cost of change revenue costs	1.3	
Police Now detectives and local policing	0.7	
Insurance and Estates	0.8	
Total Cost Increases	20.3	
Less: Savings	(2.9)	
Total growth in budget		17.4
2022/23 Revenue Budget Proposed		£279.1

26. The Chief Constable is of the view that he requires a budget of £279.1m to:

- Meet the requirements of the Strategic Policing Requirement.
- Meet the priorities in the PCC's Police and Crime Plan.
- Sustain the services already being provided
- Keep pace with the increasing demands of the Force

Efficiency Savings

27. Surrey Police has a good track record of delivering from savings and indeed the settlement from the Government emphasised the importance of the Police sector becoming for efficient. Since 2010/11 Surrey has achieved over £81.5m of savings meaning that the scope to deliver savings without radical change is limited. That

said £2.9m of savings have been identified and are reflected I the 2022/23 budget. Work will be undertaken during the year to strategically review areas with a view to delivering more significant savings in following years.

28. These Chief Constable’s proposed savings for 2022/23 are shown in detail in the table below:

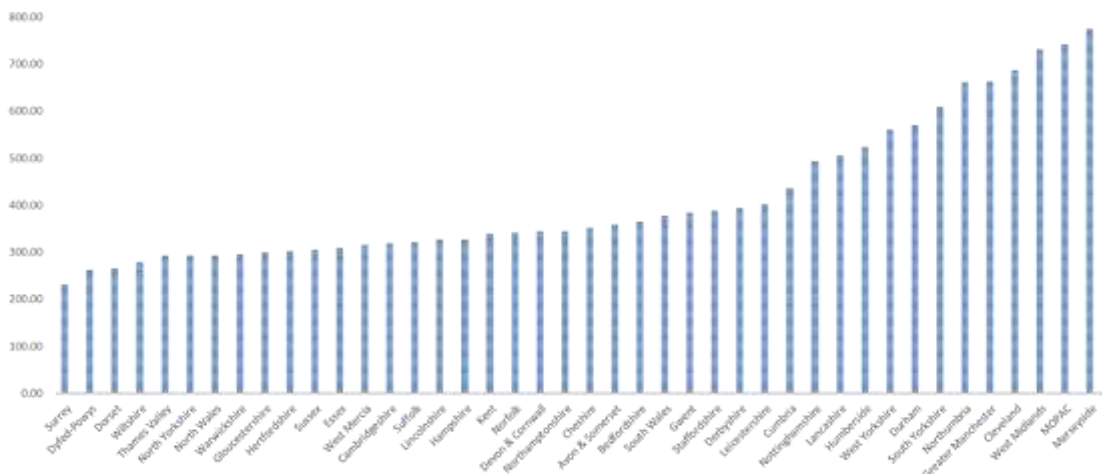
Savings Proposals	£m
Increased Vacancy Management (8% vacancy factor)	0.3
Departmental efficiency savings	2.0
Staffing changes	0.6
TOTAL	2.9

29. Given that achievement of these savings is vital these are reported on regularly to the PCC as part of her Performance meetings with the Chief Constable.

Council Tax 2022/23

30. The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered excessive Council Tax, including proposed limits. From 2013 onwards, any PCC that wishes to raise the council tax above the limits set by the Secretary of State will have to hold a referendum.

31. The council tax precept for Surrey in 2021/22 was one of the highest of English policing bodies at £280.57 per annum for a Band D property. This reflects the fact that Surrey has amongst the lowest Government funding per head for policing and so Council Taxpayers bear a greater share of the cost of policing than many other areas. This is illustrated in the graph below:



32. The 2022/23 spending review included that all PCCs would be able to increase their precept by up to £10 without having to hold a referendum in each of the next 3 years. However, this paper is only considering the decision for 2022/23. Increases for future years will be considered annually as appropriate.

Year	Band D Council Tax	Change £	Change %
2022/23	£295.57	£10.00	3.5%

33. In accordance with legislation the PCC proposal to increase the Council Tax precept by £10 was considered by the Police and Crime Panel on 4th February 2022. The full report can be found in on the website under Police and Crime Panel Meetings. The Panel unanimously supported the proposal but in its letter to the PCC requested she reconsider the part of the precept going to the Office of the PCC.

34. Billing Authorities have advised that the Council tax base for 2022/23 has increased to 510,161 Band D equivalents. This is mainly due to allowances made in the base for Covid bad debts now being reversed.

35. In respect of the Collection Fund this has also recovered to some extent after the allowances made last year for Covid and a net surplus of £504,201 is predicted. In addition some of the 2021/22 losses impact 2022/23 as they were allowed to be spread over 3 years to minimise the impact in an individual year.

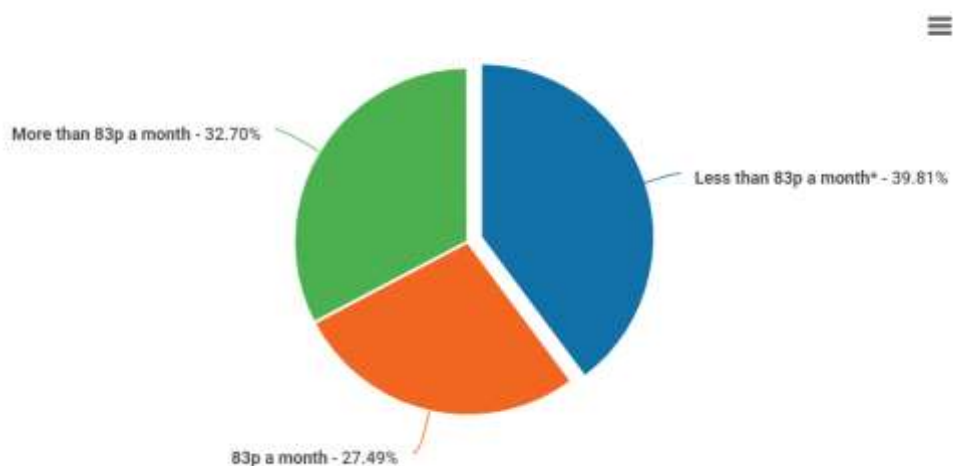
36. The increase in the Band D precept of £10 will raise an additional £5.1m for 2022/23 all of which is reflected in the budget.

37. For illustrative purposes the impact on the Force of a lower precept of £5.80 or 1.99%, was considered. However, the additional £2.1m of savings this would require could only be delivered at pace by the introduction of a vacancy freeze. Due to the arbitrary nature of such a freeze and the potential impact on Operational capabilities the Chief Constable was of the view that the lower budget as a result of a lower precept would not be sustainable and therefore maintained his position that the precept should increase by £10.

Surrey PCC Public Consultation on the Police Precept 2022/23

38. An online consultation with residents was commenced December 2021 following publication of the new Police and Crime Plan. This asked the question as to whether residents would be happy to pay an additional 83p a month, (equivalent to £10 a year) for Policing and if not whether they would be prepared to pay more or less.

39. In all 2,645 responses were received the results were as follows:



40. Hence a clear majority, 60.19%, were in favour of at least an increase in the precept of £10.

Revenue Budget for 2021/22

Performance for the year so far against the Revenue Budget 2022/23

41. Throughout the year, the PCC closely monitors the delivery of expenditure against budget in public Performance meetings. Regular updates have also been provided to the Police and Crime panel. Any revisions to those budgets in line with the Financial Regulations are noted as key decisions, if required, on the PCC's website.

42. The revenue and capital monitoring forecast as at 30 November 2022 were as follows:

	2021/22 PCC Budget £m	2021/22 Force Budget £m	2021/22 Total Budget £m	2021/22 Projected Outturn £m	Projecte d Variance £m
Month 8	2.8	258.9	261.7	259.8	(1.9)

43. A more detailed report can be found on the Police and Crime Panel agenda for 4th February 2022. This indicates that Chief Constable is predicting an underspend at

the year end. This is due to the fact that new officers have been recruited at a lower cost than was anticipated. This is considered to be a one off and therefore does not impact the 2022/23 budget.

44. The Chief Constable is also predicting that all the planned savings for 2021/22 will be achieved, these are reflected in the above forecast, as well as the targeted for recruitment of officers.

Proposed Revenue Budget for 2022/23

45. A summary of the 2022/23 net revenue budget is below:

REVENUE BUDGET 2022/23

	2021/22	2022/23	Variation	
	£m	£m	£m	%
Office Of Police & Crime Commissioner	2.8	3.3	0.5	17%
Police Force				
North Division	28.1	29.8	1.8	6%
East Division	31.7	33.6	1.9	6%
West Division	33.9	36.0	2.1	6%
Specialist Crime	39.7	41.4	1.7	4%
Operations	19.4	20.5	1.0	5%
Contact & Deployment	20.1	20.6	0.5	2%
Criminal Justice	12.8	13.1	0.4	3%
Volunteering	1.4	1.4	0.0	3%
sub total	187.1	196.5	9.4	5%
Chief Officers	1.6	1.8	0.1	9%
DCC	1.3	1.3	0.0	2%
PSD	3.2	3.3	0.1	3%
Corporate Communications	1.5	1.5	0.0	2%
Corporate Development	3.5	3.5	(0.0)	(0%)
Change Delivery	0.8	0.8	0.0	2%
sub total	11.9	12.1	0.3	2%
ICT	18.7	18.0	(0.7)	(4%)
Finance & Services	18.3	19.3	1.1	6%
People Services	12.7	13.6	0.9	7%
*Operation Uplift	0.0	5.6	5.6	0%
*Precept Uplift	0.0	0.0	0.0	0%
Corporate	10.4	13.8	3.4	33%
sub total	60.1	70.3	10.2	17%
Sub-Total Force	259.0	278.9	19.9	8%
*Savings Plan		(2.9)		
GROSS BUDGET	261.7	279.1	17.4	7%
Grants				
Home Office Police Grant	(72.2)	(78.5)	(6.4)	9%
Formula Funding	(32.9)	(32.9)	0.0	0%
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	(1.3)	(1.7)	(0.5)	35%
Total Grants	(117.6)	(124.4)	(6.8)	6%
Use of Reserves	(0.3)	(3.4)	(3.1)	
Local Council Tax Scheme Grant	(1.5)	0.0	1.5	
Collection Fund (Surplus) / Deficit	1.0	(0.5)	(1.5)	
NET PRECEPT REQUIREMENT	143.3	150.8	7.5	5.2%

46. The total budget is under the control of the Police and Crime Commissioner. However, the bulk of it is delegated by the PCC to the Chief Constable (Police Force) to provide for all day to day operational policing activities. The PCC retains the budget for the running costs of the Office of the Police and Crime Commissioner, governance, custody visitors, community safety, victim support and restorative justice and transfers to and from reserves.
47. The 'Office of the PCC' includes salary and associated costs of the PCC, Chief Executive, Chief Finance Officer, and any other staff employed to support the PCC as well as office-running costs. It also includes other statutory local policing body costs such as internal and external audit, banking, and treasury management for example. Further details in respect of the budget for the OPCC for the year can be found within the Police and Crime Panel agenda for the 4th February 2022. (It should be noted that the total OPCC budget, excluding that used to Commission services from 3rd parties, represents around 0.5% of the total budget.

Community Safety

48. The PCC continues to support Community Safety initiatives and Community Safety Partnerships (CSP) through the Community Safety Budget. It is planned that the current total allocation will remain over the period of the MTFS but increase by inflation. The budget provides financial support to local community groups, voluntary and third-sector organisations that are working to reduce crime, improve community safety and help people recover from the impact of crime. The PCC will continue to develop and grow this market to provide services that meet the needs of residents and help to keep Surrey safe.

Victim Services and Restorative Justice

49. The Ministry of Justice allocates a grant to the PCC to spend on victim services and child sexual abuse services. The grant is allocated between PCCs based on population. A total grant of £1.390m has been allocated to Surrey in respect of Victims and Witness Services for 2022/23 although this has not been confirmed. An assumption is made that future grant settlements will continue and not impact on the precept decision. In 2021/22 a further £644k was allocated to the Victims budget from the Precept to provide key support for victims of crime – services to prevent domestic violence, stalking and child abuse – and this will continue this year.
50. A list of some of the services the OPCC intends to commission in 2022/23 is included within the OPCC budget paper which went to the Police and Crime Panel on the 4th February 2022

Capital & Investment Programme 2022/23

51. Capital and investment expenditure of £7.4m is budgeted for in 2021/22 to be financed by a combination borrowing, capital receipts and revenue transfers. The Government grant given for capital was withdrawn for 2022/23. The summary budget for the year (and estimated for the next 3 years) is shown in the table below:

Surrey Capital Programme Summary	Year 1	Year 2	Year 3	Year 4	Year 5
DESCRIPTION	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
DDaT Renewals	1.1	1.6	1.6	1.6	1.6
DDaT New Schemes	0.0	1.2	3.2	0.2	0.2
Fleet Replacement and Equipment	3.8	4.7	5.5	5.6	3.6
Estate Strategy	2.1	22.3	33.7	9.1	10.9
Equipment	0.4	0.1	0.1	0.1	0.1
Total	7.4	29.9	44.1	16.6	16.4

52. The Capital is to be used as follows:

ICT – Hardware Refresh, Infrastructure & Networks, Network Monitoring Tool

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

Operations - SE Regional Organised Crime Unit hub, Operations Command Equipment, Drone Replacement, ANPR

Estate Strategy - Building the Future programme, Vehicle maintenance facilities

Capital expenditure rises sharply in future years mainly because of the anticipated costs of the new HQ. This will need to be funded by external borrowing and the revenue costs of this have been factored in to the MTFS.

53. Future funding of capital expenditure will present more of a challenge as either larger transfers from Capital to Revenue will be required and/or higher borrowing.

Borrowing is only an option if it falls within the prudential regulations. It may be that the Capital Program will have to be revised to reflect the resources available. The table below highlights the possible funding of the program and the potential shortfall with respect to future plans.

Surrey Capital Programme Funding	Year 1	Year 2	Year 3	Year 4	Year 5
DESCRIPTION	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Capital Income Surplus brought forward	-	20.6	1.1	-	-
Central Government Grant Received in-year	-	-	-	-	-
Other Capital Receipts	0.3	0.9	0.4	-	-
Estate Strategy Receipts	21.8	-	-	-	10.0
Estate Strategy Borrowing - BTF	-	-	32.3	7.7	-
Estate Strategy Borrowing - NON BTF	-	1.9	1.9	1.4	1.4
Other Borrowing	2.3	3.0	5.1	2.4	-
Total Capital Resources	24.4	26.4	40.0	11.5	11.4
Capital Resources Applied - BTF	1.2	19.5	32.3	7.7	9.5
Capital Resources Applied - NON BTF	6.2	10.4	11.8	9.0	6.9
Capital Resources Carry Forward - BTF	20.6	1.1	-	-	-
Capital Resources Carry Forward	-	-	-	-	-
Revenue Resources brought forward	-	-	-	-	-
Revenue Contributions Received in-year	3.6	4.6	5.6	6.6	7.6
Other External Grants / Conits Received in-year	-	-	-	-	-
Capital & Investment Reserve	-	-	-	-	-
Total Revenue Resources	3.6	4.6	5.6	6.6	7.6
Revenue Resources Applied to Capital	3.6	4.6	5.6	6.6	5.5
Revenue Resources Applied to Revenue	-	-	-	-	-
Revenue Resources Carry Forward	-	-	-	-	2.1
Total Funding Applied	7.4	29.9	44.1	16.6	16.4

Reserves 2021/22

54. Revenue and Capital Reserves are an important resource for day to day as well as medium term financial planning despite being one-off in nature. The Chartered Institute of Public Finance and Accountancy consider that PCCs should establish reserves including the level of those reserves based on the advice of their chief finance officers and should make their own judgements considering all the relevant local circumstances.
55. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets. The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.
56. The PCC's reserves policy is published on the OPCC website
57. A full analysis of the PCC's revenue reserves and their planned use in 2021/22 considering the proposals outlined is set out in the following table:

RESERVES	2021/22	Used in 2022/23 Budget	2022/23	2023/24	2024/25	2025/26
estimated	£m	£m*	£m*	£m*	£m*	£m*
General Reserve	8.0		8.5	8.6	8.7	8.7
Total General Reserves	8.0	0.0	8.5	8.6	8.7	8.7
OPCC Operational Reserve	1.2		1.2	1.2	1.2	1.2
PCC Estate Strategy Reserve	3.2	-1.2	2	2	2	0.8
PCC Cost of Change Reserve	2.7	-2.0	0.6	0.6	0.6	0.6
Chief Constable Operational Reserve	1.1		1.1	1.1	1.1	1.1
Covid19 Reserve	1.2	-0.5	0.7	0.3	0.3	0.3
Local Council Tax Scheme Reserve	0.4		0.4	0.4	0.4	0.4
Insurance reserve	1.6		1.6	1.6	1.6	1.6
Police pension reserve	1.1		1.1	1.1	1.1	1.1
Total Earmarked	12.5	-3.7	8.7	8.3	8.3	7.1
TOTAL RESERVES	20.5	-3.7	17.2	16.9	17.0	15.8

*The allocation of the reserves movements for 2022/23 is estimated and subject to change

58. The reserves are held for the following reasons:

PCC Estate Strategy Reserve - This has been created to manage the transition costs involved in delivering the Estate Strategy which involves rationalising some of the current estate and building a new operational headquarters.

PCC Cost of Change Reserve - This funds projects that enhance the policing in Surrey and/or deliver savings. In practice under spend from the operational budget is transferred to this reserve at year end, subject to PCC approval and maintaining the total general reserves at 3%.

COVID Reserve – to mitigate some of the financial impacts of the pandemic

LCTSS Reserve – to mitigate the impact of increased numbers of LCTSS claimants on the tax base

Insurance Self Fund Reserve - This is in place to meet the costs of future insurance claims and liabilities that have not yet crystallised. In addition, an insurance provision is held where the costs are more certain. An actuarial review is carried out annually to establish the levels to meet both the reserve and the provision.

Police Officer Pension Reserve - This is maintained to meet the capital charge made by the Home Office for each officer that retires due to ill health. A percentage of the police officer cost as recommended by the Home Office is added to this reserve and the level will fluctuate from year to year depending on the number of retirees.

General Reserves reserve - This is set aside for unexpected events or emergencies and provides a working cash balance to help with the impact of uneven cash flows and avoid unnecessary temporary borrowing. The reserves policy principle is to maintain the general reserve at a minimum of 3% of Net Revenue Expenditure which puts it at the lower end of reserves for Forces across the country.

Adequacy of Reserves and Robustness of Budget Estimates

Background Information on Reserves

59. Revenue and Capital Reserves are an important resource for day to day as well as medium term financial planning despite being one-off in nature. The Chartered Institute of Public Finance and Accountancy consider that PCCs should establish reserves including the level of those reserves based on the advice of their chief finance officers and should make their own judgements considering all the relevant local circumstances.
60. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when preparing budgets. The Chief Finance Officer is required as part of the budget setting process to provide a statement on the adequacy of reserves.
61. The Home Office Financial Management Code of Practice
- PCCs to establish a policy on reserves including how they may be used;
 - Full details of how the reserves and provisions policy will operate locally;
 - Ensure that the annual budget includes a realistic amount of operational contingency that is available to the Chief Constable for operational priorities without the need for additional approval; and
 - Provision for budgets to be carried forward from one financial year to the next.
62. The establishment and maintenance of resource backed reserves are held for four main purposes:
- As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;

- Provide funds to cushion the impact of unexpected events or emergencies – this also forms part of general reserves
 - Provide funds for the purposes of managing risk e.g. insurance reserve; and
 - As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the reserves.
63. The Chief Finance Officer has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds. Within the existing statutory and regulatory framework, it is the responsibility of the chief finance officer to advise about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.
64. In assessing the appropriate level of reserves, a well-managed PCC will ensure that the reserves are not only adequate but are also necessary.
65. The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level despite the pressures to compare between PCCs nationally.
66. One of the key sources of assurance is through risk management and the process of taking appropriate action to mitigate or remove risks where possible. This in turn may lead to a lower level of reserves being required, and it would be appropriate to consider reducing the level of balances held where appropriate action to mitigate or remove risks has been successfully undertaken. A balance will need to be found between maintaining adequate levels of reserves and investing in risk reduction measures. This balance should form part of the risk management process and be considered as part of the annual budget process.
67. The Local Government Act 2003 requires the Chief Finance Officers to undertake an assessment of the robustness of the budget estimates and the adequacy of reserves.
68. The budget and MTFSS allows the Police and Crime Commissioner to consider the prudent use of reserves in the context of the future spending pressures and potential risks arising from potential changes to the funding formula without having a detrimental effect on policing.
69. In assessing the robustness of the budget, the Chief Finance Officers have considered the following issues:
- The general financial standing of the PCC;
 - The underlying budget assumptions, including an assessment of the estimates for pay and price increases;
 - A risk assessment of expenditure and income estimates including adequacy of budget monitoring and financial reporting arrangements (See Appendix A);
 - The future budget pressures identified in this report;

- The adequacy of the budget monitoring and financial reporting arrangements;
- The adequacy of the PCC's governance arrangements and internal control system;
- The adequacy of general reserves to cover any potential financial risks faced by the Police and Crime Commissioner;
- The impact of the police grant settlement.

70. At 31 March 2022, the Police and Crime Commissioner's General Reserve is estimated at £8.0m and is forecast to increase to £8.5m by 31 March 2023 (3% of revenue expenditure), in accordance with the approved reserves policy.

71. In terms of savings £2.9m are required for 22/23 and steps are in place to deliver these. However, there are adequate reserves in place should this not be the case. However, in future years it is estimated that more substantial savings will be required and if these were not delivered at all the reserves would be exhausted by 2025/26. The Force has a good track record of delivering savings and are working hard to identify savings in future years to eliminate this risk.

72. The CIPFA Financial Management Codes was published in October 2019 and provides guidance for good and sustainable financial management in a range of public bodies including policing. The FM Code offers assurance that organisations are managing resources effectively, regardless of their current level of financial risk.

73. Many Forces, including Surrey, have done much to transform services, shape delivery and streamline costs. But for these approaches to be successful it is vital to have sound financial management embedded across an organisation. Hence the application of the FM code coupled with the program "Achieving Financial Excellence in Policing" (AFEP) seeks to deliver this aim and hence provide the assurance required.

74. The PCC's Chief Finance Officer confirms that, after taking account of these issues, the revenue and capital estimates contained in this report are considered robust and that the level of reserves proposed above is considered adequate to cover the financial risks faced by the Police and Crime Commissioner in 2022/23.

Council Tax Requirement

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

2021/22 £m	2021/22 Proportion %		2022/23 £m	2022/23 £m	Proportion %
261.7		Total Revenue Expenditure		279.1	
0.2		Less Appropriations (to) / from Reserves		3.4	
261.5		Net Budget Requirement		275.7	
		Less			
72.2		Main Policing Grant	78.5		
32.9		Revenue Support Policing Grant	32.9		
2.5		Council Tax Legacy Freeze Grant	2.5		
6.8		Council Tax Local Support Grant	6.8		
1.3		Operation Uplift Performance Grant	1.7		
2.0		Pensions Grant	2.0		
117.6	45%	Total Policing Grant		124.4	45%
1.5		Local Council Tax Scheme Grant			
142.4		Balance to be raised locally		151.3	
-1.0		Less net surplus / deficit on collection funds		0.5	
143.3	55%	Council Tax Requirement		150.8	55%

76. The notified Council Tax base figure is 510,161 this represents an increase of 8,214 (1.6%) over the previous year. This is mainly due to Covid bad debt provisions being reduced, better collection rates and house building recovering.

77. The billing authorities are forecasting a cumulative surplus of the collection fund of £501k. This is due to better than anticipated collections during the year.

Consultation with the Police and Crime Panel

78. The Police and Crime Panel considered the PCC precept proposals on the 4th February 2022. This meeting took place after two earlier finance subcommittee briefings. The panel unanimously approved the Precept increase of £10 but asked the PCC to consider not using part of the precept to increase the budget of the Office of the Police and Crime Commissioner but rather to support the Force's operations.

Risk Management

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

Legal

80. The PCC has the legal responsibility duty to set the precept, revenue, and capital budget for the year.

Equality and diversity

81. Any implications arising from this budget in respect of Equality and Diversity have been considered by the Chief Constable as part of the budget setting process.

Recommendations

82. The Police and Crime Commissioner is requested to:

- a) approve the capital and investment programme and authorise the Chief Finance Officer to undertake the appropriate financing;
- b) approve the revenue budget and
- c) note the review by the Chief Finance Officer in respect of the robustness of the budget and the adequacy of reserves.
- d) Note the Council Tax Base of 510,161.40 for the year 2022/23 as notified by the billing authorities within Surrey (item T in the formula in Section 44 (1) of the Local Government Finance Act 1992, as amended).
- e) Approve the following amounts for the year 2022/23 in accordance with Sections 43, 44 and 47 of the Local Government Finance Act 1992, as amended:-
 - i. £275,708,458.86 being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 43 (2) (a) to (d) of the Act;

- ii. £124,920.050.91 being the aggregate of the amounts which the Police and Crime Commissioner estimates for the items set out in Section 43 (3) (a) to (b) adjusted for the item set out in the Act;
- iii. £150,788,407.95 being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Police and Crime Commissioner in accordance with Section 43 (4) of the Act, as its Council Tax Requirement for the year;
- iv. £285.57 being the amount at (c) above divided by the tax base as notified by billing authorities for Surrey, calculated by the Police and Crime Commissioner in accordance with Section 44 (1) of the Act, as the basic amount of tax for the year;
- v. Valuation bands being the amounts given by multiplying the amount of (d) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Police and Crime Commissioner in accordance with Section 47 (1) of the Act, as the amounts to be taken into account for the year in respect of the categories of dwelling listed in different valuation bands.

Band	2021/22	2022/23
A	190.38	197.05
B	222.11	229.89
C	253.84	262.73
D	285.57	295.57
E	349.03	361.25
F	412.49	426.93
G	475.95	492.62
H	571.14	591.14

- f) Resolve that under Section 52ZB of the Local Government Finance Act, the Commissioner's relevant basic amount of Council Tax for 2022/23 is not excessive in accordance with the principles determined under Section 52ZC (1) of the Localism Act 2011.
- g) Resolve that in accordance with Section 40 of the Local Government Finance Act 1992, as amended, the billing authorities within the area of this authority be issued with precepts in the amount of £143,340,916.27 for

the financial year beginning 1 April 2021, the amount of the retrospective precepts to be issued to each billing authority's area in accordance with the Sections 43, 44 and 47 of the 1992 Act, as amended.

Kelvin Menon

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Appendices:

Appendix A

Appendix B

Appendix C

FINANCIAL RISK ANALYSIS

TAX BASE AND PRECEPT SCHEDULE 2022/23

MEDIUM TERM FINANCIAL STRATEGY AND ASSUMPTIONS

RISKS WITH 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 Commitments	<p>The Chief Constable believes that there are sufficient resources to deliver future Police & Crime Plan priorities, Chief Constable Commitments and Strategic Policing Requirement. However there remains risk from the cost of major operations including counter-terrorism, major incidents including pandemics, particularly if these are not fully funded nationally.</p> <p>The PCC has resources available for any one-off cost pressures in the form of reserves to assist Operational Policing and has approved year on year increases to the policing precept.</p>
Pay and price budgets and establishment control	Provision for national pay awards of 3% Staff turnover and increments based on detailed analysis of current staff profile and trends. General price inflation of 2%	<p>Whilst the number of police officer leavers is difficult to predict, recruitment and promotions are managed during the year across Surrey Police to match staffing need and resources to budget.</p> <p>Detailed analysis of employee costs is carried out in setting the budget with close corporate monitoring of the overall budget and management action to maintain financial discipline is particularly important to ensure resources are deployed to achieve the most effective and efficient service delivery, as well as the PCC's approved investment in Police & Crime Plan and Surrey Police Commitments. The DCC Force Organisational Board will monitor all aspects of the financial and human resources including the recruitment progress and report to the PCC.</p> <p>The risk that prices may rise is mitigated by budget monitoring arrangements, reserves and actively managing spend pressures.</p>
Limits to Precept Increases	£10 for 22/23. With a planning assumption of 2% for future years.	<p>The ability to increase the precept complimented by Operation Uplift Grant has enabled targeted and affordable investment, along with sustaining current services. Although increases of up to £10 are permitted for the next 2 years after 2022/23 for planning purposes an increase of 2% has been assumed subject to PCC approval.</p> <p>The Localism Act 2011 gives a statutory obligation for council tax referendums to be held should a precept higher than prescribed be approved by the PCC. The Secretary of State for Communities and Local Government set the level above which a referendum would be required.</p> <p>An increase in excess of the referendum level or precept 'cap' would result in the requirement to hold a referendum and the costs met by the OPCC.</p>
Grant Levels / Spending Review 2021	Government funding for Force increased by 5.7% for 2022/23. No Capital grant for	<p>The Government announced a 3-year spending review in 2021 with the first year being 2022/23 announced in December. This included an increase which was primarily needed to cover the costs of the last year of Uplift and apparently funding for NI.NHS levy. Although the DEL for the Home Office in the spending review does increase there is no confirmation that this increase will filter down to individual Forces. Hence in the absence of any further information it has been assumed that the grant will not increase in future years, especially as Uplift ends in 2022/23.</p>

	2022/23 and beyond.	Capital Grant, which was £0.200m in 2021/22, has been reduced to zero in 2022/23 and directed towards national projects. The assumption is that it will not be reinstated.
Funding Formula Review	Change will be phased in to minimise financial impact	The Government has commenced a review of the Funding Formula which is due to report in the autumn of 2022. The Government has committed to review the formula in this parliament but has not committed to implementing it – although they could. Although Surrey currently has the lowest level of funding per head in the country the review it is uncertain whether the review will result in an increase of a decrease in funding as this depends on the parameters used. It has been assumed that any change will be phased in to minimise financial turbulence but there is a risk it could be implemented directly.
Council Tax	Collection rates advised by individual billing authorities Tax Base – zero growth 22/23 and beyond	<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.</p> <p>In 2020/21 due to Covid the Tax Base fell and there appears to have been a recovery in 2021/22. However given the pressures in the economy and Covid it is not certain that this growth will continue and hence zero growth has been assumed for future years.</p> <p>There was support received from Government last year in 2 forms for Covid. The first was specific one off grant of £1.5m to cover reductions in the tax base which may run over several years. £0.4m of this is being used in 2022/23. There was also Collection Fund support which enabled 75% of a deficit (as defined by Government) arising in 2020/21 to be claimed with the ability to spread the remaining loss over 3 years</p>
Pandemic	Costs – not covered by Government in 2022/23 and beyond	The Force incurred significant costs in 2020/21 for Covid which were covered by Government. Although the impact of the pandemic has reduced costs are still being incurred – however it has been assumed that these will not be covered by the Government. The PCC holds reserves to cover unexpected additional costs should the pandemic return to historic levels.
Budget Estimates (Expenditure)	Provision for specific on-going cost pressures	<p>The budget estimates including all identified additional costs for 2022/23, supported by input and review by the Chief Financial Officers.</p> <p>All cost pressures are scrutinised internally by the Chief Finance Officers and the DCC chaired 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>

		Third party assurance has been gained from engaging CIPFA to review the financial assumptions in the plan
Budget Estimates (Expenditure)	Provision for Operation Uplift enablement costs	<p>The Operation Uplift increase in police officers apart from the salaries require additional vehicles plus running costs, IT equipment, uniform and kit. There are also costs in relation to estate provision plus running costs, recruitment, training costs, Occupational Health and associated costs of having more people in the organisation such as insurance, IT licences and other overheads. The budget estimates include the expected costs from this growth however there remains a risk that unidentified financial consequences were not catered for within the budget.</p> <p>All cost these pressures are scrutinised internally by the Chief Finance Officers and also the DCC 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>
Budget and financial reporting	<p>Savings plan £2.9m 2022/23</p> <p>Additional Investment in 2022/23 from Operational Uplift officers Monthly 'Group' budget monitoring</p>	<p>Action plans to deliver savings continue to be reviewed by Chief Officers and regular monitoring will be undertaken to track achievement of savings and ensure any additional action required is undertaken during the year.</p> <p>Financial monitoring is in place with a rigorous process of monthly review, including close scrutiny by the Chief Constable's Chief Finance Officer, the PCC's Chief Finance Officer and at the monthly DCC chaired Force Organisation Board, at which progress against the investment is reported.</p> <p>The PCC regularly receives a Financial Report which is on the agenda at the Chief Constable accountability meeting entitled the PCC Performance Meeting.</p>
Future Savings Plan	MTFS includes £14.6m of savings for 2023/24 to 2025/26	<p>Chief officers have commenced on the transformational change required to deliver these savings.</p> <p>Action plans to deliver savings will be developed and reviewed by Chief Officers and regular monitoring will be undertaken to track achievement of savings and ensure any additional action required is undertaken during the year.</p> <p>The savings required in the first year of the four year plan are within the reserves available but these would be exceeded in subsequent years if not delivered.</p>
National IT Systems	Move to full cost charging without transfer of funding from Home Office	Further potential costs related to the national Home Office charges for IT systems being changed from a grant ratio allowance basis to a Force budget ratio may lead to additional costs for Surrey Police. This could also include charges for training and a new National Police College as well as IT. A PCC and Police group has been established to scrutinise these costs before they are agreed.
Levels of Reserves	Adequate to meet future risks over the MTFS term	<p>Currently used to finance the capital and investment programme and major change initiatives.</p> <p>General Reserve is kept at a minimum of 3% of revenue expenditure in order to mitigate the risk of unplanned demand and unexpected costs.</p> <p>Specific reserves are being employed to reduce the pressure on the revenue budget in the form of an Estate Strategy Reserve and a Cost of Change Reserve. A reserve by its</p>

		nature can only be employed as a one off cash injection and are inadequate to cover the future savings requirements.
Interest rates, investment and borrowing	Interest rates assumptions Borrowing at fixed rates.	<p>Forecasts of investment income for 2022/23 onwards are based on estimated cash balances and interest rate forecasts as set out in the treasury management strategy. A prudent position has been adopted with regard to anticipating future increases in interest rates, to address the risk of interest rates being lower than expected, from a very low base.</p> <p>The risk of investment fund loss due to collapse of the financial institution with whom the deposit is placed, is limited by controls within the Treasury Management Strategy which focus on security rather than returns. Potential impact is mitigated by a diverse portfolio with top credit rated institutions.</p> <p>As part of the borrowing strategy in support of financing long term assets the ability to employ internal and external borrowing has been established which will be instigated by the Chief Finance Officer for the PCC. The Building the Future project is planned to be financed from borrowing.</p>
Income Assumptions	Income budgets reduced for specific items.	Some risk of achieving on-going level of income targets included in Divisional and Department budgets. This will be monitored during the year and appropriate action or mitigation agreed as necessary. Additional income may be received in-year due to unforeseen events, additional grants from Home Office or other third parties. Budget adjustments will be requested where appropriate.
Police Pension	Mc Cloud and Sergeant Implementation Pension Scheme valuation – cost neutral	<p>Police pensions along with many public sector pensions was reviewed to ensure a fairer balance between public purse and pensioners. The scheme was changed to a Career Average Revalued Earnings (CARE) scheme which included transitional arrangements. These arrangements were challenged and accepted by the tribunal. The assumption is that no further costs will fall on the police fund following the statement below:</p> <p>James Cartlidge MP, Hansard, Second Bill Reading HoC 5 January 2022</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> <p>The Police Pension Scheme was last valued in 2016 and resulted in a 10% increase in employer pension contributions to 31.0% from the financial year 2019/20. The additional cost was met by a £2.0m government grant. It is anticipated that the next valuation will result in a reduction in the employer contribution and that any cost reduction up to 10% would be netted off the current grant payment.</p>
LGPS Pension	LGPS reform changes	The recent increase in inflation (CPI) could lead to future actuarial valuations increasing the employer contribution rate.

		<p>Exit payment restrictions are under consideration by the government to include special severance payments and a £95k cap replacement scheme.</p> <p>Other challenges to LGPS funds and administration include the impacts of McCloud underpin implementation, SAB and HMT cost sharing schemes, Goodwin (survivor payment equality) remedy and the alignment of LGPS valuation cycles with other government schemes e.g. police officer schemes.</p>
Reductions in security grants	Potential reductions in security grants.	MTFP assumes that grants will continue at current level. If subsequently reduced, savings will be made to cover the reduction outside of core savings targets.
Public Order	Additional cost of overtime and associated costs	Whilst action will be taken to mitigate the overtime and other additional costs relating to policing public order operations, significant costs may be incurred in 2022/23. The Force is following nationally agreed guidelines on the policing of events. It is proposed that any in-year over-achieved savings will be used as a first source for funding, otherwise other revenue budget and operational reserve provides potential sources of funding if necessary.
Operational Demands	Public protection	Key operational pressures include continuing demand and complexity of public protection cases (domestic abuse and vulnerable children/adults) plus changes in nature/type of evidence collection, with a growing range of digital devices having to be examined requiring additional forensic time/resource and cost to process. The Forensic Capability Network a national group are overseeing developments in the Forensic market including digital forensics. https://recruitment-dcp-dp.org/dorset-police-staff/forensic-capability-network/
Capital Programme	Latest plans	There is a risk of the capital programme being understated, or that overspending occurs, resulting in insufficient funding being available as planned. Slippage may also impact on operational demands. The capital plan is reliant of several sources of funding including capital receipts which are at risk of not being achieved either in quantum or timing. These risks are mitigated by regular review of all major projects including the Estates Strategy and ICT projects, focus on key priorities agreed in advance, together with monthly budget monitoring and regular monitoring reports to the PCC.
Building the Future – New Headquarters	Major capital project	The scale of this project carries a number of risks including potential financial risks which are managed through a Building the Future Steering Group chaired by the Deputy Chief Constable which makes recommendations to the Building the Future Board chaired by the Police and Crime Commissioner for any decisions.
Climate Emergency - Carbon Neutral Pledge		The Force has committed to being carbon-neutral by 2030. This could result in additional costs as the plan to achieve this is developed.
Capital Financing	MRP is calculated on an asset by asset basis	This Capital Financing risk is of charges being greater than budgeted. This is mitigated by considering revenue and capital implications of major project spend within the capital and investment planning process and inclusion within the MTFP. The MRP debt repayment provision is calculated on individual assets and 100% of borrowing has fixed term

		rates, thus will not be impacted by changes in interest rates. Borrowing is planned to finance the capital programme within this MTFS.
Regional Partners	Investment plans	The risk is that all regional partners are not aware of each partner's investment plans, estate strategy etc. which can lead to un-planned expenditure within the year. A regional Police lead for SERIP has improved the communication to minimise this possibility, within their scope.
National ICT Programmes	Latest plans	There is a risk that delays to the implementation of national ICT schemes including ESMCP, NLEDS & HOB present significant risk. These risks will be managed by regular review of all these major projects at both the Strategic Change Board and the DCC Force Organisational Board.
Local ICT Programmes	ERP	Following the delays experienced by the ERP project it has now entered a transition phase to assess the direction the Force wishes to take to further develop the asset considering their priorities, risk appetite and affordability. There is a risk due the nature of it being a major IT project that costs maybe underestimated. The associated risk is the cost of maintaining legacy systems to ensure they remain fully operational.
Risk Management		Financial consequences could result if all major risks have not been identified when the budget has been set. This is mitigated by robust risk management arrangements in place with formal reporting to the Joint Audit Committee, Organisational Reassurance Board chaired by the Deputy Chief Constable; comprehensive insurance arrangements in place; and an adequate reserves policy and reserves (including the insurance and general reserve balances).
Non-Pay Inflation		Current inflation planning is at 2% but Bank of England is forecasting inflation to soar above 5% in the Spring 2022. The Force will monitor this through the monthly forecasting process.

APPENDIX B

TAX BASE AND PRECEPT 2022/23

The Tax Base for the year 2022/23 is the aggregate of the amounts tax bases calculated by the billing authorities to which the Police & Crime Commissioner for Surrey issues precepts totalling. This totals 510,161.40 for band D equivalents as set out in the table below. The basic amount of Council Tax (Police Precept) is the budget requirement less the amounts receivable from other funding sources, all divided by the tax base. For 2022/23 this shall be £295.57 to the nearest penny, for band D properties. The amounts per band are as follows:

Band	2021/22	2022/23
A	190.38	197.05
B	222.11	229.89
C	253.84	262.73
D	285.57	295.57
E	349.03	361.25
F	412.49	426.93
G	475.95	492.62
H	571.14	591.14

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

	Taxbase	Total Precept £	Total Coll. Fund £	Total
				Net Payment £
Elmbridge	65,569.0	19,380,229.33	191,996.00	19,572,225.33
Epsom & Ewell	33,251.4	9,828,125.17	64,186.90	9,892,312.07
Guildford	58,335.9	17,242,344.92	163,502.28	17,405,847.20
Mole Valley	41,308.0	12,209,405.56	-264.36	12,209,141.20
Reigate & Banstead	62,274.7	18,406,533.08	-196,232.33	18,210,300.75
Runnymede	34,524.0	10,204,258.68	200,533.00	10,404,791.68
Spelthorne	39,223.0	11,593,142.11	-176,839.62	11,416,302.49
Surrey Heath	38,976.2	11,520,186.57	253,161.28	11,773,347.85
Tandridge	38,692.9	11,436,460.45	-134,175.24	11,302,285.21
Waverley	56,478.3	16,695,951.26	121,522.00	16,817,473.26
Woking	41,519.0	12,271,770.83	16,812	12,288,582.83
Total	510,161.4	150,788,407.96	504,201.91	151,292,609.87

This table shows that the Surrey district and borough councils be requested to make payments of sums totalling £1150,788,407.96 due under precepts calculated in proportion to their Council Tax Band D equivalents. In addition, a net surplus on collection funds will also be paid to the total value of £504,201.91.

PRECEPT PAYMENT DATES

20 April 2022
23 May 2022
30 June 2022
29 July 2022
09 September 2022
10 October 2022
18 November 2022
06 January 2023
17 February 2023
16 March 2023

MEDIUM TERM FINANCIAL FORECAST

Surrey - Medium Term Financial Forecast Q6

Precept £10 for 1yr then 2.0% with a 0% grant increase, pay inflation at 3%, non pay 2%, tax base 1.6% yr 1 nil in yrs 2-4	2021/22	2022/23	2023/24	2024/25	2025/26
REVENUE COST BASE	£m	£m	£m	£m	£m
Base budget	250.0	261.7	279.1	278.2	281.3
Pay Inflation	0.6	6.3	4.5	4.5	4.5
Price Inflation	0.9	0.8	1.1	1.1	1.1
Base Assumptions	4.3	4.0	2.0	2.1	2.1
Unavoidable Costs	1.9	1.4	(0.6)	0.0	-
Cost of Change net	(1.2)	0.1	(2.1)	-	-
Service Growth	2.4	1.0	(0.4)	-	-
Estate Strategy Project Expenditure	-	0.6	(0.4)	(1.0)	1.2
Precept Investment	4.1	-	-	-	-
Operation Uplift	5.1	6.1	-	-	-
Total Cost Increases	18.1	20.3	4.0	6.6	8.9
Gross Budget Requirement	268.1	282.0	283.1	284.8	290.2
Annual Savings Requirement	(6.4)	(2.9)	(4.9)	(3.5)	(4.5)
Total Gross Budget	261.7	279.1	278.2	281.3	285.6
FUNDING	2021/22	2022/23	2023/24	2024/25	2025/26
	£	£	£	£	£
Home Office Grant	72.2	78.5	80.3	80.3	80.3
Revenue Support Grant	32.9	32.9	32.9	32.9	32.9
Council Tax Support Grant	9.2	9.2	9.2	9.2	9.2
Operation Uplift Performance	1.3	1.7	-	-	-
Specific Grant	2.0	2.0	2.0	2.0	2.0
Local Council Tax Scheme Grant	1.5	-	-	-	-
General Reserves	(0.0)	(0.5)	-	-	-
Specific Reserves -					
Covid19	0.6	0.4	0.4	-	-
OPCC Operational Reserve		0.3	-	-	-
Local Council Tax Scheme	(0.4)	-	-	-	-
Estate Strategy	-	1.2	-	-	1.2
Cost of Change	-	2.1	-	-	-
Surplus/(deficit) on Council Tax Collection Fund	(1.0)	0.5	(0.4)	-	-
Base precept	137.0	143.3	150.8	153.8	156.9
Taxbase Improvement	(1.2)	2.3	-	-	-
Precept increase	7.5	5.1	3.0	3.1	3.1
Total Funding	261.7	279.1	278.2	281.3	285.6

APPENDIX C2

MEDIUM TERM FINANCIAL FORECAST ASSUMPTIONS

Assumption		2022/23	2023/24	2024/25	2025/26
Capital Grant	£m	£0.00	£0.00	£0.00	£0.00
Main Policing Grant change		0.0%	0.0%	0.0%	0.0%
Revenue Support Policing Grant change		0.0%	0.0%	0.0%	0.0%
New Police Pension Grant		0.0%	0.0%	0.0%	0.0%
Council Tax Support Grant		0.0%	0.0%	0.0%	0.0%
Legacy Council Tax Freeze Grants		0.0%	0.0%	0.0%	0.0%
Operation Uplift Grant	£m	£6.8	£ -	£ -	£ -
Precept		£10	2%	2%	2%
Tax base increase		1.6%	0.00%	0.00%	0.00%
Collection Surplus/(Deficit)	£m	-£0.4	-£0.4	£ -	£ -
Police Staff Pension Employer Contribution rate		16.5%	16.5%	16.5%	16.5%
Police Officer Pension Employer Contribution rate		31%	31%	31%	31%
Police Officer pay inflation		3%	2%	2%	2%
Police Staff pay inflation		3%	2%	2%	2%
Salary Increments	£m	£1.20	£1.00	£1.10	£1.10
General Price inflation		2%	2%	2%	2%
Investment Interest Returns		0.10%	0.10%	0.10%	0.10%
Income - Fees & Charges *1		No Change	No Change	No Change	No Change
Income – Specific Grants *2		No Change	No Change	No Change	No Change
General Reserve		3% NBR minimum	3% NBR minimum	3% NBR minimum	3% NBR minimum