



# SURREY POLICE

## MEDIUM TERM FINANCIAL PLAN

2022/23 – 2022/26

February 2022

Achieving Financial Excellence | Finance Department

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## **Contacts**

### **Document Owner**

Peter Gillett  
Executive Director of  
Commercial & Finance  
Services

### **Document Editor**

Bev Foad  
Joint Finance Manager

## 1. Summary

This financial plan supports the Police and Crime Commissioners Police and Crime Plan, the Force Commitments and is based on all the financial and business assumptions stated in this document and also paying attention to the Force Business Plan and Force Management Statement priorities. The document includes financial scenario planning but the narrative will refer to the base scenario unless otherwise stated.



# Our Commitments 2020/25

Be safe, feel safe.

To ensure Surrey is a county  
that is safe, and feels safe.

### Our Force



- Prevention
- Partnership
- Potential

### Our communities



- Prevent Crime
- Protect Our Communities
- Pursue Offenders

## Our people



- Professional
- Proud
- Inclusive

### • The funding settlement for 2022/23 and forward outlook;

The provisional financial settlement for 2022/23 was announced on 16<sup>th</sup> December 2021.

The key elements of the national settlement are;

- Nationally the financial settlement provides a total of up to £16.9 billion for policing in 2022/23, an increase of £1.1bn on the 2021/22 funding settlement.
- Available funding to Police and Crime Commissioners (PCCs) will increase by up to an additional £796 million in 2022/23, including local flexibility to increase council tax precept by £10 on band D.

This increase is broken down as follows:

- A £550 million increase in Government grant funding to PCCs. This additional funding was intended to cover financial pressures Forces were experiencing such as wage increases, inflation and the proposed 1.25% increase in National Insurance. As well as the final year (year 3) of the Police Uplift Programme. However in reality it is only sufficient to cover the Uplift costs and all other pressures will need to be funded by a precept increase and further efficiencies. Of the £550, £135 million of this funding has been ring-fenced and will only be paid in line with progress on recruitment.
- The final tranche of the 20,000 police officer Op Uplift commitment has been funded.
- The Government estimate that there will be up to £246 million additional funding from council tax precept if all PCCs maximise their precept flexibility. PCCs have been given the ability to increase their precept by up to £10 for a Band D equivalent property for 2022/23 and the following 2 years without having to hold a referendum.
- This will mean that PCCs and hence Forces will receive an additional £796m in funding assuming all PCC's increase their precept by the maximum £10. This would represent an increase to funding in cash terms of 5.8% compared with 2021/22 police funding settlement.

Also included in this settlement are:

- £1.4 billion for national priorities, resource, maintaining our focus on cutting crime to make communities safer, we are continuing to invest in critical priority areas. This includes drugs and county lines activity, violent crime reduction, child sexual abuse and exploitations, fraud and modern slavery.

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

- For the final year of the Police Uplift programme, the additional 8,000 officers to be recruited by the end of March 2022. The ring fence grant of £135m, will be paid to forces in line with their progress in recruitment.
- As part of the Spending Review settlement, the Police are expected to deliver over £100m of cashable efficiency savings delivered from force budgets by 2024/25. For 2022/23, the amount is £80m of efficiency savings – which have been reflected in the funding set out as part of the settlement.

### **The investment opportunities;**

The funding settlement provides the Force with the opportunity to prioritise investment based upon the previous work carried out to scope a Force Fit for the Future. Operation Uplift afforded to PCC's will enable the Force to invest further in Prevention & Deterrence, Protecting Vulnerable People and Investigations.

### **The efficiency savings requirement;**

The savings plan developed by the Force will assist it to meet the continued challenges facing policing, meeting financial constraints, improve efficiency and maintain the capacity to meet the new crime threats in public protection; which includes domestic abuse, child sexual exploitation and vulnerable adults. Investment will also enable opportunities within the digital ways of working, and also the threat from the exponential growth in digital crime.

For the planning period 2022/23 to 2025/26 this is currently £15.9m over four years with £2.9m required in 2022/23.

### **The efficiency plan;**

Over the future four year period the planned efficiency savings are £15.8m.

Following on the from work CIPFA did on assisting the Force to develop a robust and achievable savings in 2021/22, the Force have identified a savings plan for 2022/23 to achieve a balanced budget. Work is continuing to make further savings as well as recruiting officers and maintain those increased officer numbers in subsequent years to ensure receipt of central government funding for 'Op Uplift'. It is recognised that these savings are mainly tactical in nature and that the Force must continue the momentum and commence more fundamental reviews of its service delivery to build a sustainable financial position over the medium term.

Based on the financial settlement and future expectations the efficiency savings planned are sufficient to meet the desired investments, and to balance the budget in the first year. The future savings requirement over the four year plan is £15.8m which is why it vital to begin the work to be able to achieve savings of this magnitude. The development of the efficiency plans continue to meet identified future funding shortfall in future years. The savings work provides a number of proposals that the Force can continue to work on to be confident in setting a sustainable budget over the MTFS period.

Internal governance arrangements are in place to track achievement of savings and new investments, to monitor the pace of change sufficiently to provide management with early

warning should plans not progress as anticipated and ensure and additional action required is undertaken during the year. Detailed business cases to realise savings targets are presented and considered at the Joint Chief Officer Meeting and the Strategic Change Board.

### **The reserves plan;**

This budget for 2022/23 assumes there will be no use of general reserves in 2022/23 although there is a planned draw on a number of earmarked reserves as follows.

- The PCC Estate Strategy Reserve is employed to meet additional estate strategy costs in 2022/23 and again in 2025/26 and also to support the 2022/23 revenue budget.
- The PCC Cost of Change Reserve is being employed to meet approved Transformation activity during 2022/23.
- The OPCC Operational Reserve is deferring the impact of growth within the OPCC budget.
- The Covid19 Reserve is meeting the collection fund deficit that is allowed to be spread over three years from the 2020/21 deficit.

The strategy for general reserves is to maintain the level at 3% of the net annual budget.

### **• The capital plan;**

Capital reserves will be fully utilised in the current year and so any future investment in core assets will require borrowing and/or revenue funding, both of which may impact frontline service delivery. In addition, as part of the 2022/23 Financial Settlement the Government withdrew its remaining modest grant for capital funding. In order to maintain an affordable capital programme, limits have been set on the level of investment that can be funded from the available resources. This has meant that projects have had to be prioritised by the Change Delivery Board depending on the business case and organisational need.

## **2. Context**

The police service has faced extraordinary challenges and pressures over the past two years as a result of the Covid-19 pandemic; together with the majority of its partners. Surrey Police has worked closely with other forces and a range of local partners in response to the pandemic; with Sussex Police in a collaborated police response, and with local authority and health partners via the Local Resilience Forum and other partnership arrangements. While the types of demand from the pandemic have changed over this period, the recent identification of the Omicron variant, and the ensuing increase in cases as a result, has led to the LRF partnership arrangements standing up once more, and the police role in responding to the pandemic is clearly not yet over; almost two years after the start of the crisis. The relationships formed with partners – whether new partnerships forged as a result of Covid, or existing partnership working that has been strengthened and refined – continue to provide significant opportunities and benefits for Surrey Police.

The effect of the pandemic has been to significantly change the balance of demand upon the service. While some changes have been relatively short-lived, others are forecast to continue in the medium to long term. Domestic burglary, for example, reduced significantly during lockdowns and has maintained a relatively low level as more people continue to work from home. Public violence, on the other hand, has returned to pre-Covid levels as lockdowns have eased, and domestic abuse has increased slightly on pre-Covid levels. The pandemic has also led to a significant increase in some emerging crime types such as online fraud.

In addition to operational demand, the pandemic has necessitated a range of new ways of working; changing the Force's use of its operational estate and fleet, the continued use of Covid-19 PPE, and increasing the amount of remote working wherever possible. The force has responded to these challenges flexibly as distancing measures have eased and tightened; significantly increasing the pace of development and roll-out of remote working and collaborative technology, and responding to changes in the profile of the pandemic, but this has led to a necessary reprioritisation of workload in departments such as DDAT and Estates.

Notwithstanding the particular challenges of the pandemic, the issues Surrey Police and the rest of the service have to overcome in future years will continue to involve increases in demand and complexity across almost every area of our business. Demand continues to increase in areas of digital contact with the public, new communications channels via emerging social media platforms, and analysis of digital data. High profile incidents such as the killing of George Floyd in the US, and the murder of Sarah Everard by a serving MPS officer have had a significant impact on public trust in the police service, which all forces are working hard to rebuild.

As public finances are squeezed as a result of the pandemic – affecting not only the police service but also our key partners – the service will be faced with difficult decisions concerning where to focus our resource and attention; with increasing departure from traditional police activity towards 'hidden' crimes including modern slavery and child sexual exploitation.

Surrey Police continues to focus on making Surrey a county that is safe and feels safe, in line with "Our Commitments"; setting out the force's strategy as commitments to our communities, our force and our people. The Force will use this framework to focus activity over the next four years:

- Our Communities
  - Prevent crime
  - Protect our communities
  - Pursue offenders
- Our Force
  - Prevention
  - Partnership
  - Potential
- Our People



- Professional
- Proud
- Inclusive

The Force has a number of programmes underway designed to ensure we are prepared for the challenges ahead. Notably, for the financial years 2021/22, through the precept increase of £4.1m, we have invested heavily in our preventative policing approach and recruiting additional 10 police officers and 67 specialist staff, in addition to the recruitment of 73 officers via Op Uplift. Surrey Police's command and control system is being replaced with a new product, STORM, which will allow greater collaboration and interoperability with Sussex police in terms of resilience and resource deployment.

Surrey Police has made significant efficiencies and continues to innovate and review its service delivery in the face of the growing demand and real terms reduction in funding. A range of tactical savings were planned for 2021/22 which were achieved (reported in the monthly Financial Report), as a reminder the table below sets out the savings plan for 2021/22.

<b>Surrey Police</b>	<b>£'000</b>
<b>2021/22 Saving Requirement</b>	<b>6,383</b>
Savings:	
Commercial & Financial Services	958
DDAT Savings	403
Local Policing - Custody Healthcare	60
Specialist Crime - Coroners Office	127
Revenue Contribution to Capital	2,600
Vacancy control / Recruitment Profile	1,250
Other Forcewide	985

In recent years the police funding settlement was provided on a single year basis. It has been the government's ambition to provide a three year settlement and this has now been delivered. However, details have only been provided regarding the allocation for 2022/23 but it is not yet known how the allocations for 2023/24 and 2024/25 are going to be distributed.

Allied to this risk is the prospect of a funding formula review and having had pressure from the National Audit Office and recently the Public Accounts Committee that both criticised the Home Office for their lack of understanding of police demand nor a funding formula that reflects the policing needs. Previous funding reviews even though not followed through have indicated a reduction of funding to Surrey.

### 3. Introduction

This paper provides the latest projections on the financial position for the period to 2025/26, and how we forecast it will be phased in each component year. It goes on to summarise progress with the Force's strategic efficiency saves programmes and the likely effect on employee numbers throughout the period.



This is a development from the previous version and incorporates unavoidable costs including delay costs from 2021/22, pay inflation and other unavoidable cost pressures which include funding for IT licences, national charges, overtime due to 3 additional bank holidays, Police Now to assist with the recruitment of police officers, national pension remedy from McCloud decision and unavoidable costs pressures arising from salary increments, debt repayments from capital investment, revenue contribution to capital financing. Developments in telephony systems and digital interview recording these are offset by a reduction in the cost of change activities.

A phased capital programme has been included in this document with the recognition that regular review is required on the timing of planned expenditure. The Capital grant has reduced over the past few years, from £1.2m in 2015/16 to £0.164m for 2021/22 and has now been withdrawn in order to re-distribute as wider national allocations.

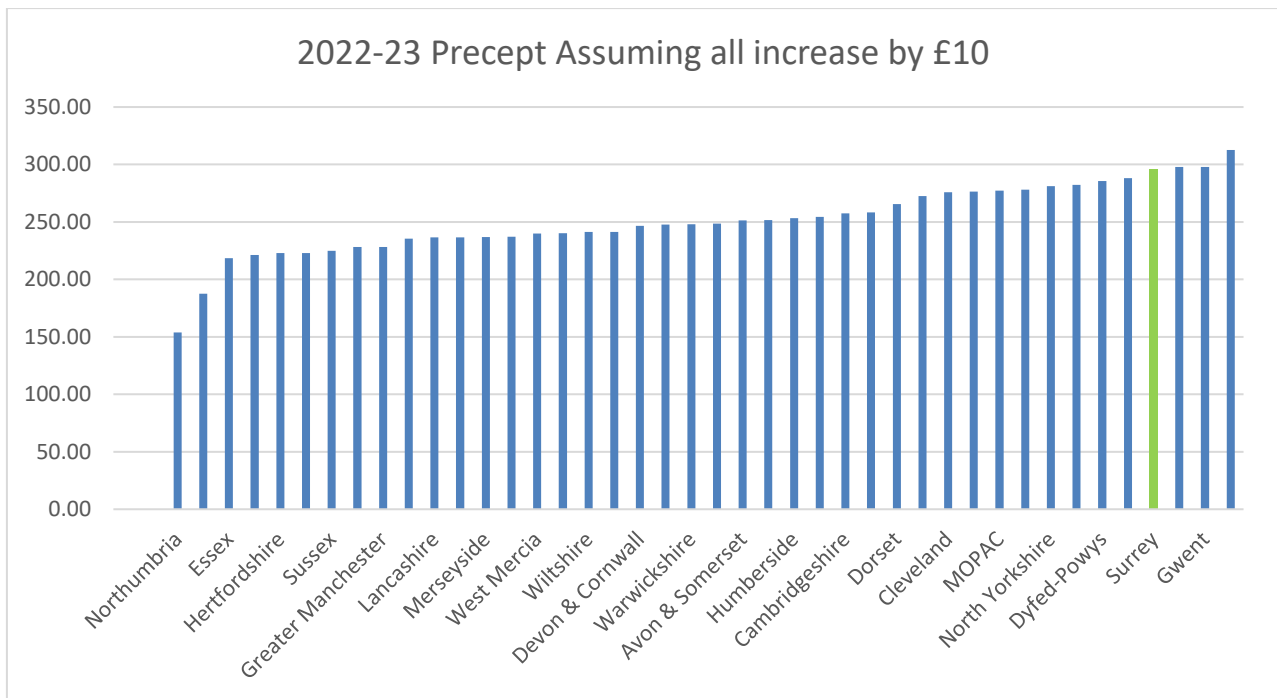
## 4. Funding

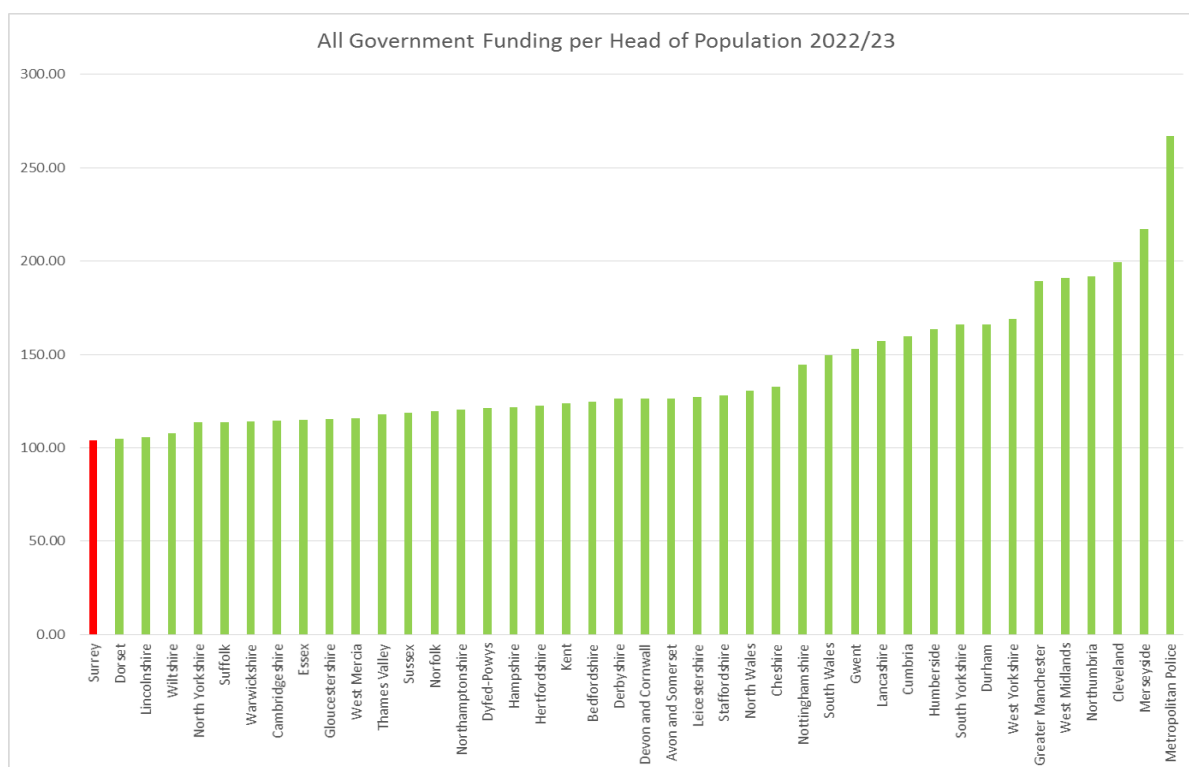
The Medium Term Financial Plan (MTFP) contains a number of key assumptions, one of which is the increase in the level of precept expected, this is funding raised from Surrey council tax payers for policing. For 2022/23 the Police and Crime Commissioner after consulting with Surrey residents, consulting with the Chief Constable and considering the operational impact of a lower increase, proposed an increase in the precept by the maximum amount of £10 on Band D properties without triggering a local referendum. The Police & Crime Panel endorsed the PCC's decision on 4<sup>th</sup> February 2022. This resulted in the Council Tax requirement and the Collection Fund per District as set out in the table below.

Authority	Tax Base	Collection Fund Surplus/Deficit £	Precept £
Elmbridge	65,569	191,996	19,380,229
Epsom and Ewell	33,251	64,187	9,828,125
Guildford	58,336	163,502	17,242,345
Mole Valley	41,308	(264)	12,209,406
Reigate & Banstead	62,275	(196,232)	18,406,533
Runnymede	34,524	200,533	10,204,259
Spethorne	39,223	(176,840)	11,593,142
Surrey Heath	38,976	253,161	11,520,187
Tandridge	38,693	(134,175)	11,436,460
Waverley	56,487	121,522	16,695,951
Woking	41,519	16,812	12,271,771
<b>TOTAL</b>	<b>510,161</b>	<b>504,202</b>	<b>150,788,408</b>

The proportion of funds raised from the precept for Surrey equates to 55% of core funding (Precept, main policing grant, revenue support grant) for 2022/23 – the highest in England.

As a result of Surrey receiving the lowest level of grant per head in England as per the graph below, Surrey residents make is more dependent on precept than other forces and accordingly has one on the highest Band D rates (£295.57 for 2022/23) for police forces. The table below illustrates this for the potential 2022/23 if all Forces increased by £10 their Band D rate. The level of funding from government is the lowest in the country per head of population and Surrey receives £104.01 per head of population (of all government funding). If Surrey were to receive the average in the country (excluding the Metropolitan areas) this would provide the Force with over an additional £26m, even though this magnitude is not expected it does illustrates the inequitable position of police funding and if a fairer funding position was achieved this could see police officer numbers increase or reduce the tax increases for Surrey residents.

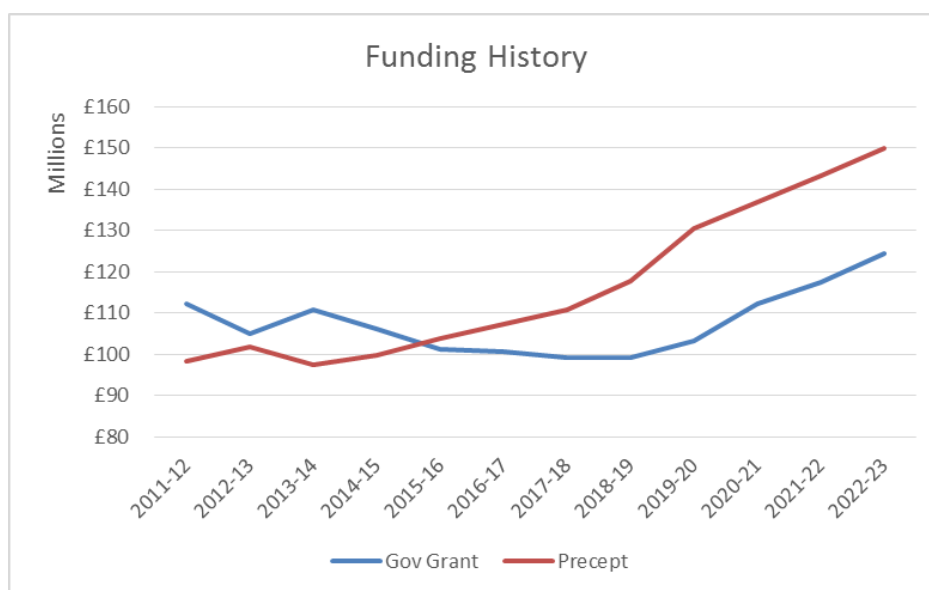




The anticipated review of the police funding formula was consulted upon and ultimately deferred with an expectation it will be addressed as part of any future comprehensive spending review. Due to the uncertainty and range of possible outcomes no assumptions regarding a change to the funding formula have been included in the MTFP.

- **Real Terms Funding Reduction;**

Surrey Police had experienced a real terms funding reduction of 8.2% over the previous 10 years (2011/12 to 2021/22) which the Force has catered for with its savings plans that have as a priority maintained front line service delivery. The chart below demonstrates the reduction in government grant until recently and the compensating effect of the precept increases over the latter years, whereby the precept makes up 55% of the Forces funding.



### Financial Settlement 2022/23

This MTFP incorporates the final police grant settlement for 2022/23 as announced in February 2022. The grant settlement from the Home Office nationally increases the grant by £550m with a maximum £10 increase in precept level permitted by each PCC without triggering a referendum. The pension grant introduced in 2019/20 has been continued which mitigates the police officer pension contribution cost increase.

2022/23 saw the first three year settlement for a number of years, however only allocations for 2022/23 at Force level have been provided. Whilst we know the values of the settlement for 2023/24 and 2024/25, it is not yet known how they will be distributed.

The composition of the Home Office funding is shown in table 1 with table 2 projecting the funding position over the four years. The assumption for 2022/23 was that the grant to remain static for the remainder of the MTFP period plus specific funding for the Operation Uplift. There remains a risk that the grant could be reduced to cater for an increase in top slicing in future years.

The headlines of the national financial settlement are provided in section 1 with the local position set out below which is a positive signal to policing;

- PCC precept flexibility to increase Band D by £10, this would yield £5.1m gross and net amount of £5.6m after council tax collection fund surplus of £0.5m.
- Home Office grants are static apart from the funding for the Uplift Officers.
- The Operation Uplift Grants allocated in 2020/21 and 2021/22 have been included in the base grant, with the new grant allocation for 2022/23 being split over principal funding and a ring fenced Operation Uplift grant.
- Operation Uplift police officers increase is local 98 and ROCU 6. The Force has received the funding for all of the officers. As ROCU functions require more experienced officers,

forces will release existing officers to ROCUs and replace them with the additional officers recruited via the Performance Uplift Programme to ensure overall workforce growth.

- Funding for the recruitment of officers in counter-terrorism policing will be paid to forces through dedicated counter-terrorism policing grants.
- The Police Capital Grant has been stopped and will be redistributed as part of wider national capital reallocations.

Table 1

2021/22 £m	2021/22 Proportion %		2022/23 £m	2022/23 £m	Proportion %
261.7		Total Revenue Expenditure		279.1	
0.2		<u>Less</u> Appropriations (to) / from Reserves		3.4	
<b>261.5</b>		<b>Net Budget Requirement</b>		<b>275.7</b>	
		<u>Less</u>			
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		
<b>117.6</b>	<b>45%</b>	<b>Total Policing Grant</b>		<b>124.4</b>	<b>45%</b>
1.5		<b>Local Council Tax Scheme Grant</b>			
<b>142.4</b>		<b>Balance to be raised locally</b>		<b>151.3</b>	
-1.0		Less net surplus / deficit on collection funds		0.5	
<b>143.3</b>	<b>55%</b>	<b>Council Tax Requirement</b>		<b>150.8</b>	<b>55%</b>

Table 2 -

Grants	2021/22 £m*	2022/23 £m*	2023/24 £m*	2024/25 £m*	2025/26 £m*
Home Office Police Grant	105.1	111.5	113.2	113.2	113.2
Op Uplift Performance Grant*	1.3	1.7			
<b>Total core government grants</b>	<b>106.4</b>	<b>113.2</b>	<b>113.2</b>	<b>113.2</b>	<b>113.2</b>
<b>Other Specific Grants</b>					
Legacy Council Tax Grants	9.2	9.2	9.2	9.2	9.2
Local Council Tax Scheme Grant	1.5				
Police Officer Pension Grant	2.0	2.0	2.0	2.0	2.0
<b>Total Funding from Government</b>	<b>119.1</b>	<b>124.4</b>	<b>124.4</b>	<b>124.4</b>	<b>124.4</b>
<b>Local Funding</b>					
Precept	143.3	150.8	153.8	156.9	160.0
Collection Fund	(1.0)	0.5	(0.4)	-	-
Reserves	0.2	3.4	0.4	-	1.2
<b>Total Budget Funding</b>	<b>261.7</b>	<b>279.1</b>	<b>278.2</b>	<b>281.3</b>	<b>285.6</b>

\*The Op Uplift performance grant is claimed on a quarterly basis evidencing the expenditure.

The introduction of top slicing in 2014/15 at £84.7m has been extended in each year since and was announced in the provisional settlement at £1,374m for 2022/23. Table 3 below sets out the areas the top slicing funding is directed towards.

Table 3

Top Slicing / Reallocations	2020-21	2021-22	2022-23
	£m	£m	£m
PFI	73	72	72
Police Technology Programmes	498	485	607
Arms Length Bodies	73	70	69
Top-Ups to NCA and ROCU's	57	5	33
Strengthening the Response to Organised Crime	140	146	
Police Special Grant	81	55	62
Pre Charge Bail	2	2	
Police Uplift Programme	16	14	12
National Policing Capabilities		3	11
National Capabilities Programme	47	39	65
Police & CJS Performance*			13
National operational policing units	3	3	3
Blue Light Commercial	4	5	
Forensics	29	26	26
Police Now	7	7	7
Crime Reduction Programmes*			46
Crime Reduction Capabilities*			13
Fraud*			23
Rape Review*			12
Serious Violence Strategy	39	39	50
Safe Streets Fund	10	20	
Counter Terrorism	32	32	32
Prum	2	0	
Science, Technology and Research	8	5	
International Crime Co-Ordinating Centre		5	
Capital Reallocations*			188
<b>Total</b>	<b>1,121</b>	<b>1,033</b>	<b>1,374</b>

The Police Technology Programmes caters for Airwave, the new Emergency Services Network which will provide 4G access to officers that will bring productivity and operational benefits, Home Office Biometrics and National Law Enforcement Police database.

Arms Lengths Bodies includes the Independent Office for Police Conduct, the HMICFRS PEEL Inspections, the College of Policing Direct Entry scheme and the Gang Masters Labour and Abuse Authority.

Strengthening the response to Organised Crime and Top Ups to NCA and ROCU's - this is funding for the National Crime Agency and Regional Organised Crime Units.

The Police Special grant caters for national events or incidents that require additional police support.

There are a number of new programmes including Police and CJS Performance, Crime Reduction Programmes, Crime Reduction Capabilities, Rape Review, Drugs/County Lines, Capital Reallocations and Fraud.

The Police Capital Grant has been stopped and will be re-distributed as part of wider capital reallocations providing £118.1m of capital funding for national priorities and infrastructure.

## 5. High level budget planning and strategy

Planning work has been continuing throughout the year for the future years of the MTFP period, with some assumptions being made, (shown at Appendix C), to enable this document to be prepared. The savings target is shown at Appendix A & B, which shows a savings requirement of £15.9m before the savings plan (base scenario) over the future four year period, this is based on the future assumptions that government grant will be flat cash apart from the Op Uplift growth for police officers and future precept increases of 2% and is also in conjunction with known investment and cost pressures. The Force Fit for the Future set out the ambition of the Force to meet demands and priorities identified in the Force Management Statement and a step towards that ambition has been made possible from the Operation Uplift and the precept funding. Current planned efficiency savings total £2.9m, this level of saving, if all are delivered, leaves a budget gap of £13.0m over the four year period. The Force will continue to seek out efficiencies to redirect resource into the priority areas and will have to consider further wide ranging cashable efficiencies to bring about a sustainable financial position. The Force has slightly exceeded its saving target in 2021/22 by £16k which will be carried forward into 2022/23 and is expected to meet its saving target in 2022/23, however if there is any slippage this will transfer the requirement into 2023/24 or worse still if the savings are not achievable then a gap will open up (see section 7 Savings Programme for more detail).

The Estate Strategy programme has now been re-evaluated and the preferred option is to upgrade the existing Mount Browne headquarters and make it fit for purpose. Design work will commence in April 2022 with construction anticipated to start in November 2023.



An integral part of the financial plan is the capital plan and the sources of funding and as the capital grant has now stopped and the level of capital receipts has diminished there will be great reliance on revenue funding. Long term borrowing is the option employed to fund the Estate Strategy and will only be used for long term assets.

The approved £10 precept increase for 2022/23 provides further opportunity to invest in priority areas identified by the Force through the HMICFRS Force Management Statement, and earlier in 2020, Surrey Police introduced “Our Commitments”, setting out the force’s strategy as commitments to our communities, our force and our people, and the force will use this framework to focus activity over the next five years:

- Our Communities
  - Prevent crime
  - Protect our communities
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Planning to exceed savings targets will provide the flexibility and opportunity to allow further funding to be directed to the priority areas. The Force also needs further capacity to fund changes and transformational programmes that will generate savings and efficiencies.

The Force has a short term savings plan and is developing a medium term savings strategy with the expert assistance of CIPFA Associates.

The HMICFRS Value for Money Profiles have been employed to focus on specific functions to benchmark with an aim of being mid or lower quartile for cost, examples are Finance & Services, Human Resources and police overtime.

The Chief Officer Group will as part of the development of the business and financial plan routinely meet with the PCC to discuss the areas of significant operational and service delivery risk which include but not exclusively are Child Sexual Exploitation, Cyber Crime and Domestic Abuse.

## Budget Gap

The realistic budget gap is shown in the table below totalling £15.9m. This is based on the following assumptions:

- Flat Grant over the four year period.
- Precept – 2% increase each year over the four year period
- Pay inflation – 3% in 2022/23 and 2% each year over the remaining years
- Non-pay inflation – 2% each year over the period

The savings of £2.9m have been identified for 2022/23 but to balance the budget over the planning period would require a concerted effort to firm up efficiency savings plans and identify other efficiency savings. It is clear that inflation post pandemic and the effects of the Russian Ukraine conflict is a significant factor and risk to the financial plan.

2021/22	Budget Gap	2022/23	2023/24	2024/25	2025/26
£m		£m	£m	£m	£m
(6.4)	Annual Savings Requirement	(2.9)	(4.9)	(3.5)	(4.5)
261.7	Total Gross Budget	279.1	278.2	281.3	285.6

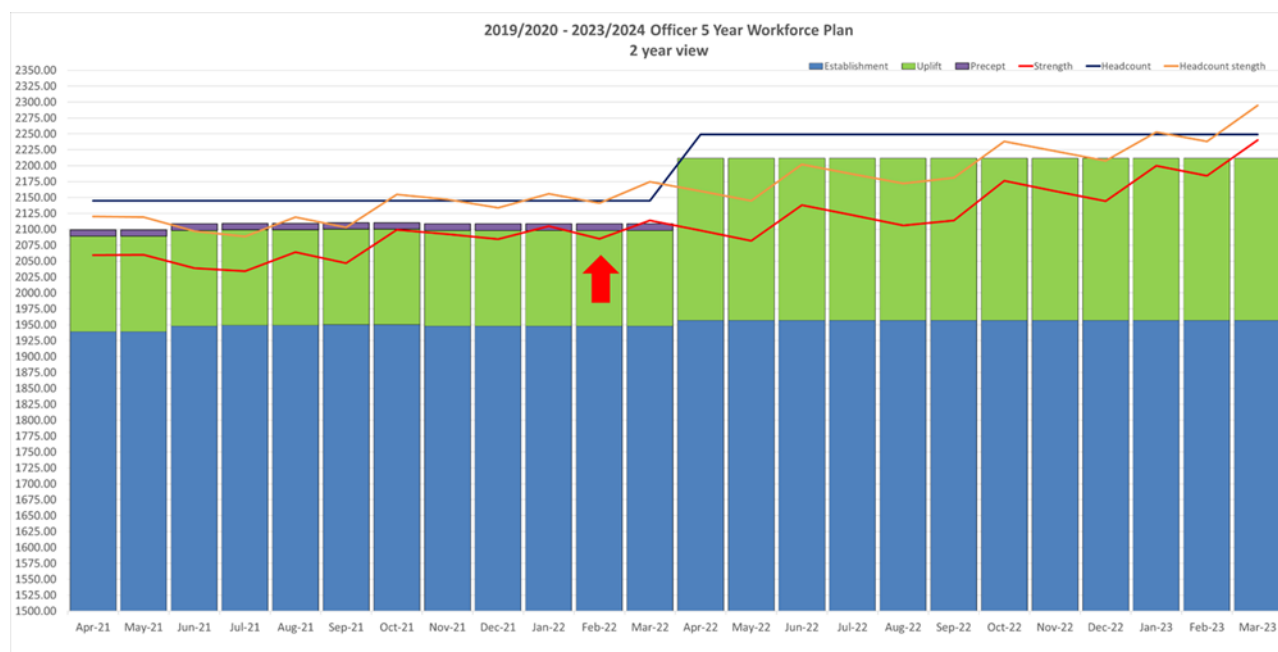
## 6. Operation Uplift Investment

The government settlement supports the police to successfully complete the 20,000 increase by March. The current allocation basis being used is the share in core government grant (Surrey 1.3%) which equates to 260 officers. The first tranche up to April 2021 of 6,000 officers nationally provided Surrey with an allocation of 78 police officers, the second year up to April 2022 is an allocation of 73 (with an additional 3 for the ROCU) and the final year up to March 2023 is an allocation of 98 (with an additional 6 for ROCU).

The Force have approached the potential investment applying a three step approach;

- 1) Strategic – agree strategic priorities
- 2) Tactical – agree key investments to meet priorities
- 3) Operational – agree scale of investment

Our workforce plan for the future provides the Strategy and how we will meet demand, and Operation Uplift Demand analysis provides the Operational Plan and where resources will go within priority teams although initially all new Op Uplift Officers will be deployed in the Neighbourhood Policing Team or Criminal Investigations Department then relative allocation after this based on demand project analysis (crime & ICAD) demand. For 2022/23 it is proposed to hold the 98 Operation Uplift Officers centrally and allocate via a bidding process later in the year. The chart below shows that we have a total growth for Operation Uplift of 104 officers including 6 for ROCO. The forecast is meeting the headcount target in January 2023 and the FTE growth will be met in March 2023.



There is an expectation that the funding will meet not only the increase in police officers and police staff but also all the costs associated with an increase of this size, such as vehicles, equipment and technology.

Further 2022/23 investments include the Digital Interview Recording system which will provide the ability to network the recordings and move away from physical magnetic storage and a Unified Communications Platform, a cloud based telephony and electronic communication system that will improve the functionality and accessibility to Surrey Police. To address the maintenance backlog investment has been provided for the improvement in properties that are to be retained for the foreseeable future. To mitigate the ongoing national shortage of detectives the Force has invested in Police Now Detectives an accelerated training route to increase capacity.

Over the planning period the following have been incorporated;

- The Building the Future Estate Strategy has been included in this financial plan now that the decision has been made to re-develop the headquarters at Mount Browne.
- The ICT Strategy has been developed and due to the number of external dependencies will be revisited periodically.
- The Fleet Strategy which is predominantly the capital investment for replacements and future enhancements to vehicles such as telematics and cameras.
- The move to a new Command & Control platform which is a modernised system to the one Surrey has had for many years and will allow increased resilience across the region.

- The replacement for the Airwaves radios that are reaching end of life prior to the change-over to ESN system being led by the Home Office. The future finances to move to ESN require further refinement and will be included at that point.

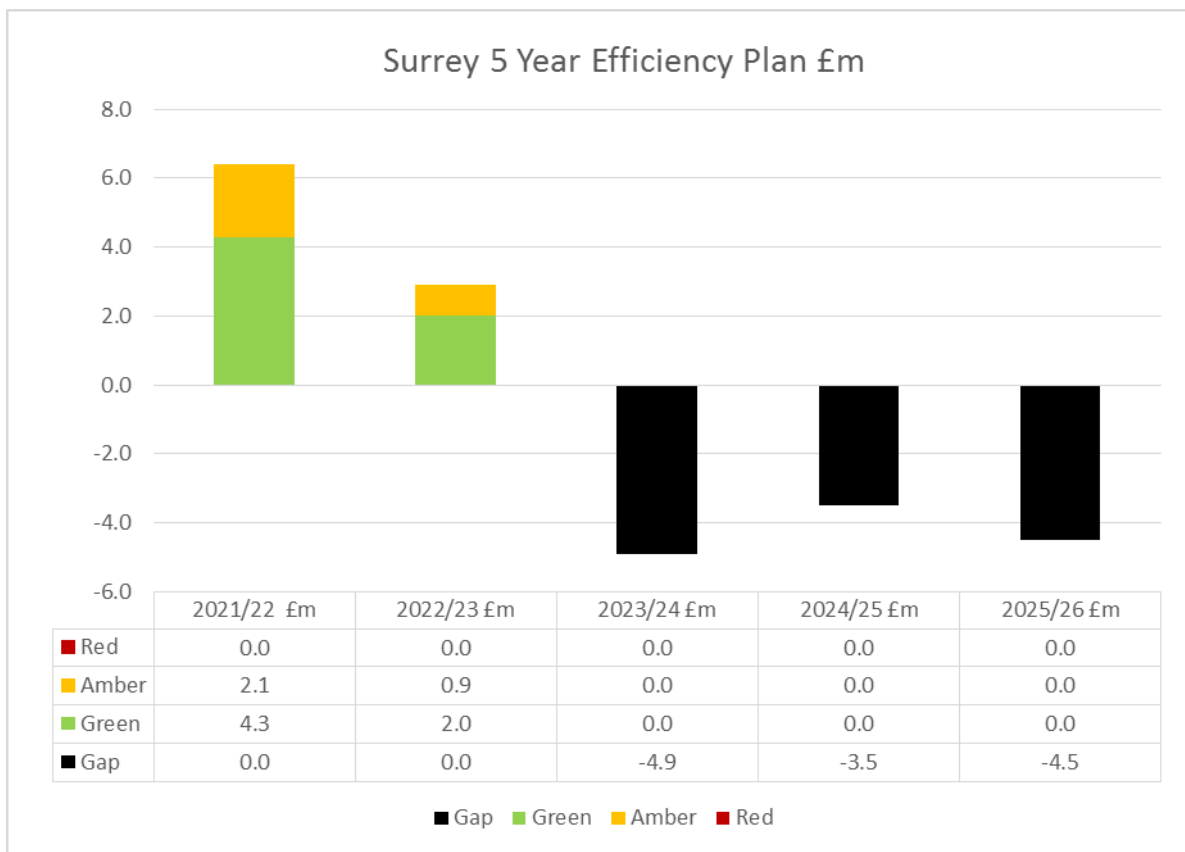
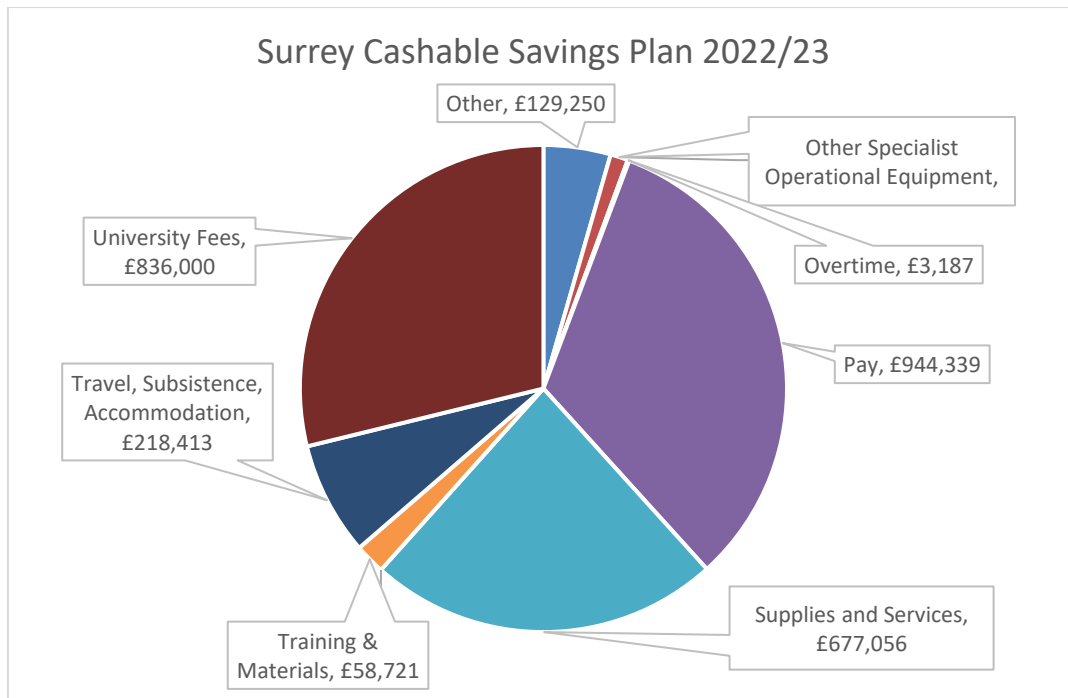
There are some commitments or unavoidable costs that the Force has provided for, with the new police constable pay scales there has been an expectation for a cost pressure from incremental salary growth and an amount is included to mitigate this risk. Looking ahead there is a continual revenue funding of capital and the expected increase in funding for the police staff pension fund following the next triennial revaluation exercise noting the McCloud remedy impact on the future employer rate.

The Force in developing its business plan will have to consider the priorities highlighted in the production of the Force Management Statement, this could lead to re-engineering or moving resources to some of these priorities and conversely decide where to shrink.

## 7. Efficiency Savings Programme

The Force recognised early 2020/21 that the pandemic would have a significant impact on public finances and that future funding assumptions would need to be adjusted. To assist with developing the savings plan to close any funding gap CIPFA Associates were engaged who initially tested the financial assumptions in the MTFP and worked with the Force budget holders to understand where savings opportunities existed. This culminated in a range of options for the Force to consider which were graded Red, amber and Green depending on the ease of delivery and impact on service delivery.

Efficiency save schemes, as shown in Appendix B, are categorised into the red, amber & green risk headings, the chart below sets out the savings plan for 2022/23 that total £2.9m and the plan is expected to deliver to target however any under achievement will have detrimental impact on the following year, further detail is provided at Appendix B.

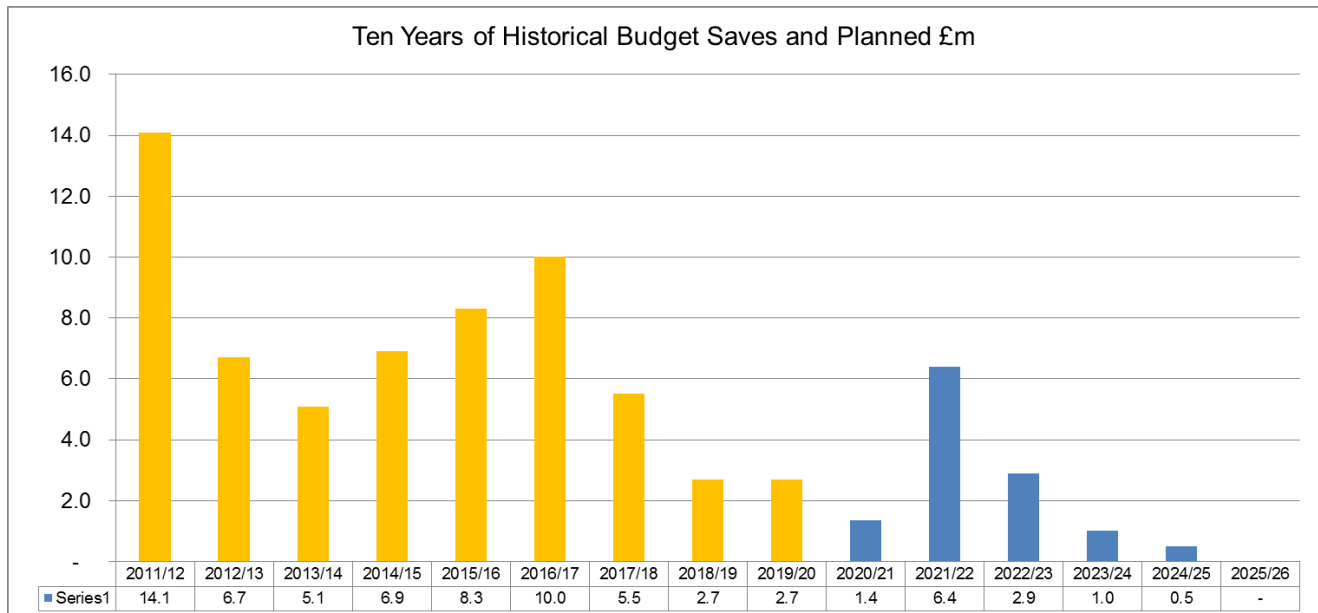


The future efficiency savings plan requires further development as it is estimated that £15.8m of additional savings will be required.

The savings developed for 2022/23 are considered mainly tactical as the lead time to deliver in year was short which requires a concerted effort to move into medium term sustainable cashable efficiency plan.

The Force will continue to identify efficiency savings, both cashable and non-cashable in order to invest into the priorities and improve service to the Surrey residents. The regional direction is not expected to deliver efficiency savings for a couple of years so in Force savings will have to be considered to meet any short and medium term need.

The chart below shows the savings achieved during previous years of £74.2m (2011/12 to 2021/22) with the projection up to 2025/26. Note some savings made are not as a result of funding reductions and maybe where the force has used the saving to reinvest in a priority activity.



## 8. Headcount Impact

We have projected the likely impact on headcount over the four year planning period.

At this stage in the development of the four year plan a broad approach has been taken which is to take the total savings required (assume half the savings will be staff posts) and estimate post reductions using the average rates. This is due with the introduction of the government pledge to increase police officer numbers all reductions are modelled against police staff, noting that savings will also come from non-employee costs such as through contract reductions so this modelling has to be viewed as worse case.

The headcount impact for the MTFP reported in this document includes the grant increase announced in the 2022/23 Grant Settlement with a 0% grant increase in each remaining year along with the £10 precept increase for 2022/23 and 2.0% increases in future years and the Operation Uplift impact, this is demonstrated in the chart below.



## 9. Capital Strategy

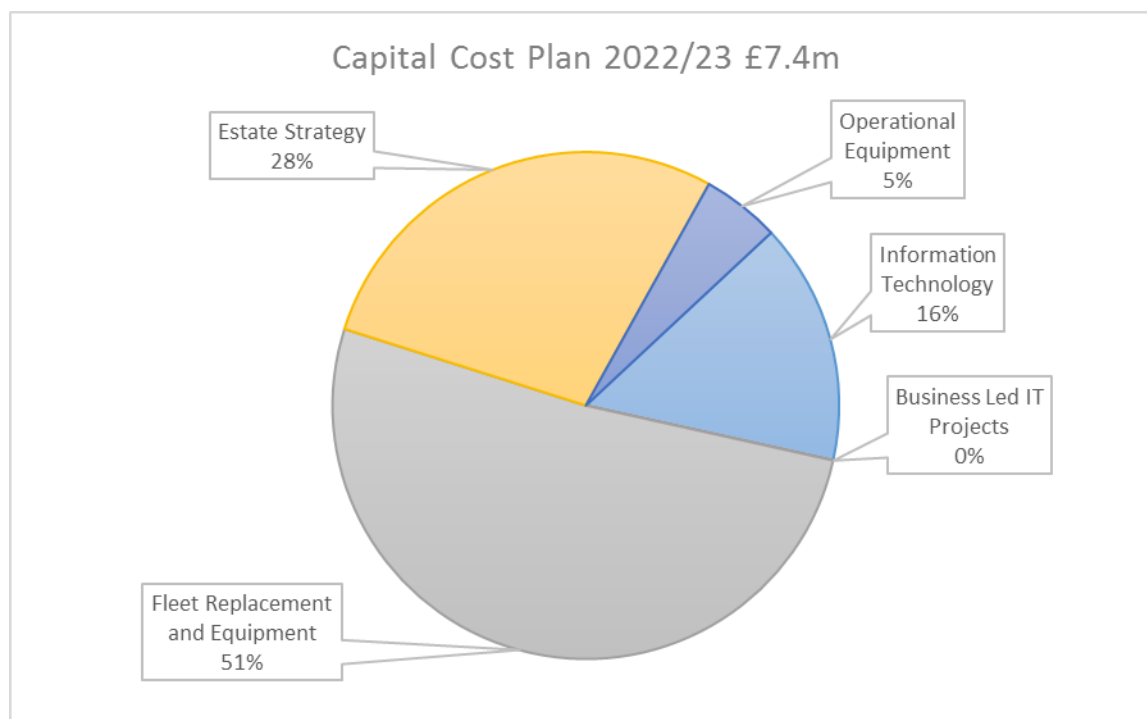
The proposed capital programme for 2022/23 is provided at appendix C.1 and attention is drawn to the future funding of the capital programme which sees its main funding source fully depleted during the current year, at which time to maintain investment in core assets will require borrowing and or revenue funding both of which may impact on frontline service delivery. This is compounded by not having government grant for capital in the future. In order to maintain an affordable capital programme there will be limits set on the level of investment and ensuring that the investments meet the capital criteria applied. Projects being considered by the Change Delivery Board are not included.

The funding of the capital programme is from grants, capital receipts, revenue budget or borrowing. Based on the proposed capital plan, as previously signalled, there is a requirement to borrow for both the Estate Strategy and to support the capital expenditure programme. The PCC currently has external borrowing from the PWLB for the purchase of Leatherhead site and has internal borrowing and that route would be agreed by the Chief Finance Officer to meet expenditure would be considered as part of the monitoring regime during the year.

A summary of the capital programme is provided in the table below:



2021/22	Surrey Capital & Investment Programme	2022/23	2023/24	2024/25	2025/26	2026/27	Total
£m		£m	£m	£m	£m	£m	£m
1.9	Information Technology	1.1	2.8	4.7	1.8	1.8	12.2
0.2	Business Led IT Projects	-	-	-	-	-	-
3.7	Fleet Replacement and Equipment	3.8	4.7	5.5	5.6	3.6	23.2
13.0	Estate Strategy	2.1	22.3	33.8	9.1	10.9	78.1
0.6	Operational Equipment	0.4	0.2	0.2	0.2	0.1	0.9
19.3	Total	7.4	29.9	44.1	16.6	16.4	114.4

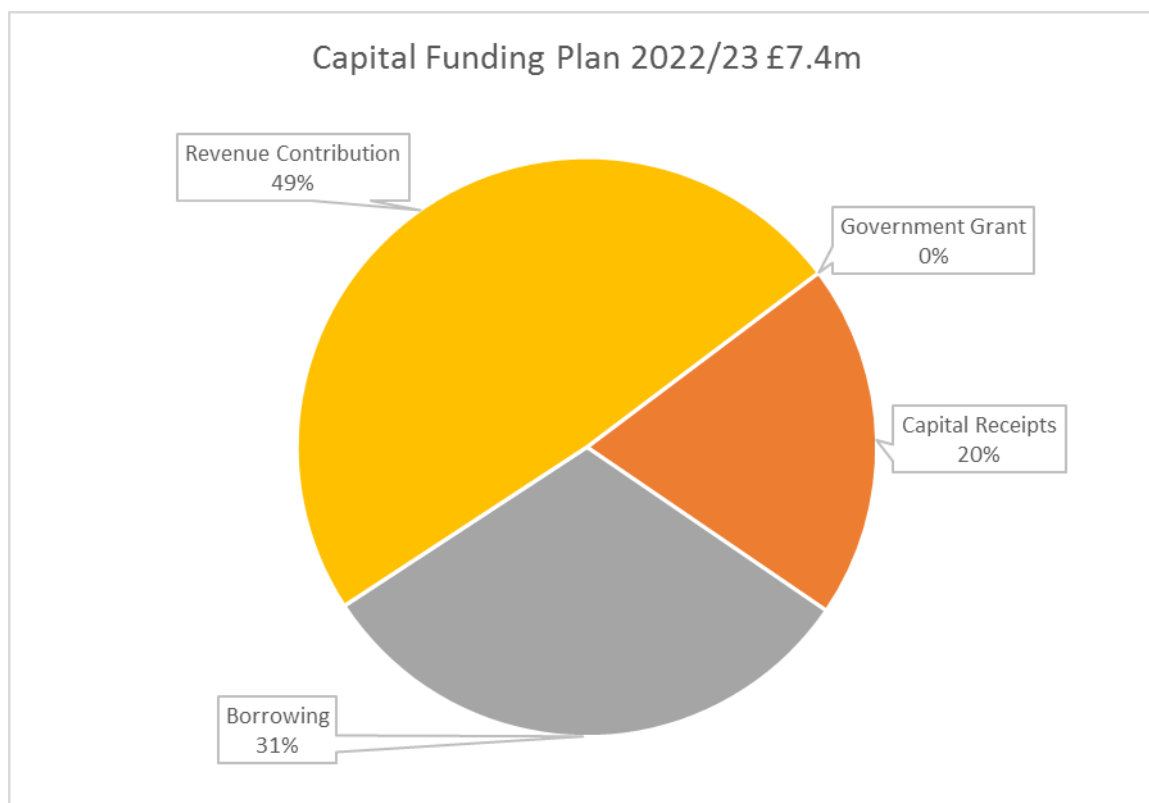


- The capital programme for 2022/23 includes the main areas of DDaT (previously called ICT), Fleet, Estate Strategy and operational capital equipment.
- The Building the Future Project will be a future commitment and it has been reflected in the above table from 2022/23
- The DDaT schemes are predominantly refresh or upgrade of existing with a couple of new schemes including the Emergency Service Mobile Communications Programme Project.
- The Fleet Replacement is supported by a detailed Asset Management Plan and takes into account the benefits from telematics.
- The above Capital Programme is not including projects that have been approved through the Changed Delivery Board, therefore the amount of funding required to carry out those project are as follows and the detail of the projects are in Appendix C.2:

Surrey	Capital	Revenue
Change Delivery Projects	1,540,526.00	2,057,288.00

A summary of the funding for the capital programme is provided in the table below:

Capital Funding Summary	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
Government Grant	-	-	-	-	-	-
Capital Receipts	1.5	20.4	1.5	-	8.8	32.2
Borrowing	2.3	5.0	36.9	10.0	-	54.1
Revenue Contribution	3.6	4.6	5.6	6.6	7.6	28.0
Total	7.4	29.9	44.1	16.6	16.4	114.4



Capital expenditure can be financed from capital receipts, borrowing and revenue funding, the chart above providing the split for 2022/23. The Police Capital Grant has been stopped and will be re-distributed as part of wider capital reallocations providing capital funding for national priorities and infrastructure.

Points to note;

The funding for the Change Programme has not been decided yet, but borrowing and use of reserves will be considered.

The Building the Future Estates Strategy is planned to be funded from borrowing and the revenue implication needs to be catered for in the revenue budget, the borrowing requirement is £32.3m in 2024/25 and £7.7m in 2025/26. The revenue impact for debt repayment (MRP) and interest is £0.5m.

The future ERP requirement is not known and will be brought forward for separate approval.

Capital receipts are at a much lower level in future years which sees the level of investment reducing and the current plans identify a funding gap.

One of the options within the revenue savings proposals is to reduce the revenue to capital funding and take on borrowing to meet capital expenditure.

The form of the additional borrowing is a decision of the Chief Finance Officer whether it can be internal borrowing, subject to cash flow, or external borrowing.

## 10. Assumptions

Assumptions regarding the financial model are disclosed in Appendix C. Some of the key assumptions are detailed below;

- The Local Government Finance Settlement: The final settlement for 2022/23 announced in February 2022 was to increase the core government grant by £550m to fund the Operation Uplift police officers, the overall effect is a flat cash settlement. This was a three year settlement and whilst we know the funding amounts for 2023/24 and 2024/25 the details are not yet known.
- The funding formula review has been on the agenda for a few years and is expected to be forthcoming during the next spending review period. Any assumptions included in the consultation will be included in future plans when available.
- The Force savings plan is as described in section 7.
- A precept increase of £10 in 2022/23 and future 2.0% increase on Band D in each year. Any surplus on the Collection Fund is directed towards a specific reserve to cater for one off costs. The tax base from which the precept is derived has an estimated growth rate of 0% per year.
- Inflation: In this MTFP Staff and Officer Pay is afforded an inflation increase of 3% in 2022/23 and 2% in each future year for police officers and staff.
- Non pay inflation has been budgeted at 2%. Note one of the financial interventions used in the past was to suppress the budget increase for inflation growth to budget holders unless there was a contractual commitment in place, this option has been used for 2022/23.
- Localisation of Council tax Support: Due to government legislation around council tax support, which has been passed to Borough Councils with a 10% cut in funding, our tax base was cut by 30k band D properties in 2013/14 reducing our precept by £6.4m, this has been compensated by a £6.8m government grant which combined with previous precept compensation grant of £2.4m is now called Council Tax legacy grant and has been assumed to remain at the same level throughout the MTFP.

- **Local Government Pension Scheme:** The police staff pension scheme is a funded scheme and is relying on underlying assets to support future liabilities. Any deterioration in the asset base will lead to a position where there becomes a funding gap which currently employers have to make up over 20 years. The last actuarial valuation in 2019 had no change in the employer's contribution rate. The PCC had, in previous years, injected £8m into the pension fund to help offset part of the deficit.
- **Police Officer Pension Fund:** The police officer pension is a pay as you go and is not funded or backed with assets. The fund following a valuation process the employers' contribution rate increased to 31% in 2019/20. A specific Police Officer Pension Grant totalling £2.0 funds approximately 50% of the additional cost. The additional cost and grant have been included in the MTFP with the assumption that the grant and employers contributions will remain at the same level. Next valuation is due in 2023/24.
- **Reserves Strategy:** the plan is built on the basis that the reserves strategy of maintaining general reserves at no lower than 3% of budget is in place for the planning period.
- **The Building the Future Estate Strategy:** the latest estimates have been incorporated including Agile Working and the re-development of Mount Browne headquarters, both of which have a capital and revenue impact.
- **The DDaT Strategy** is to be reviewed to ascertain the level of funding required over the planning period, currently all estimates in the plan and will be periodically reviewed as external dependencies will have an impact.
- **Victims Services – Restorative Justice:** A grant is allocated by the Ministry of Justice to the Surrey PCC as part of victims services. This has seen a significant growth for the PCC and is assumed will continue. This service was transferred into the Force during 2019/20.

## 11. Risks

The MTFP is built on the above assumptions. The possibility of other factors affecting the plan also need to be reviewed and the following are the risks to our financial position in the near future and over the planning period.

- The government have over the last few years employed top slicing to fund national initiatives or growth in national functions. This has been increasing each year and remains a distinct possibility that this approach may result in further reduction on the level of funding to police forces. The Emergency Services Network is due to be implemented during the planning period and the funding required to implement to new service is being drawn from the national police allocation.
- Inflation is seen as a key risk since the COVID-19 pandemic but also now because of the Russian/Ukrainian conflict which is impacting significantly on fuel and energy prices.

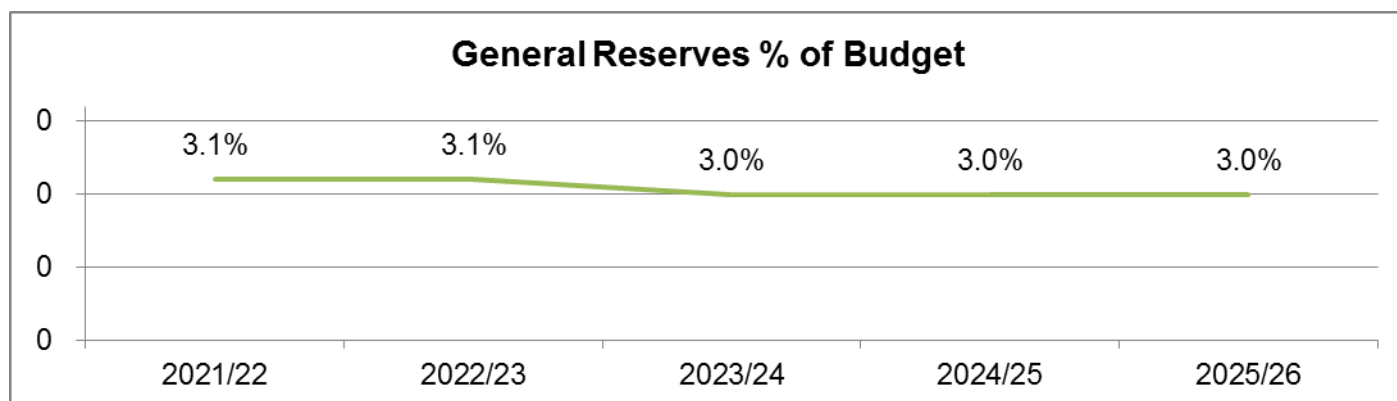
- As Surrey is more dependent on local funding than most Forces we could face a higher percentage funding impact if there were any changes to reduce the referendum trigger.
- Employee retention remains a risk for the Force and funding has been included in the base budget to mitigate this.
- The move to NHS Commissioning of health services in custody had been identified as a risk but this function will remain with Forces. Medical costs however increase faster than general inflation so it remains a risk.
- The Force, as have many in the country, has been experiencing a diversion of resources to meet the demands of historical cases, this plan continues to fund such activity and there is a risk that unknown cases may come to light or cases previously dealt with come to the fore again requiring significant funding not included in the budget plan and may require a call on reserves e.g. Op Igil & Op Symphony.
- The increasing demand on policing with the changing nature of crime is stretching resources and will require clarity of purpose to ensure the funding of the service is maintained at a level that provides a quality service to the residents of Surrey.
- The introduction of national systems and infrastructure changes are a prevailing risk as a mandated cost increase to the Force.
- The assumption of the level of government funding in future years may be superseded by future announcements increasing the reduction as seen in previous Spending Reviews particularly from the proposed funding formula review.
- Climate Change - Following Surrey County Council declaring a climate emergency the PCC and Chief Constable fully back the move and a strategy is now being developed through the joint Surrey and Sussex Environmental Board with the aim of making the organisation carbon-neutral by 2030. As the strategy is developed the financial implications will become apparent.

A full financial risk analysis schedule is provided at appendix which is reviewed and maintained during the year.

## 12. Reserves

The general reserves strategy is to maintain the level at 3% of annual revenue budget.

The chart below shows the general reserve level is forecast to be at 3.1 % in April 2022 and April 2023 and 3% over the remainder of the planning period, there is no use of general reserve to support the funding position however specific reserves are in place to manage future financial risks. The PCC has approved the general reserve strategy will be maintained plus specific reserves have also been created to assist the financial plan over the next few years. The full reserves strategy is published in a statement on the PCC website.



There are specific reserves in place to meet known risks and as agreed an Estate Strategy Reserve is in place along with a PCC Cost of Change Reserve, OPCC Operational Reserve and a Chief Constable Operational Reserve.

RESERVES	2021/22	2022/23	2023/24	2024/25	2025/26
	£m*	£m*	£m*	£m*	£m*
<b>Earmarked Reserves</b>					
OPCC Operational Reserve	1.2	0.9	0.9	0.9	0.9
PCC Estate Strategy Reserve	3.2	2.0	2.0	2.0	0.8
PCC Cost of Change Reserve	2.7	0.6	0.7	0.7	0.7
Chief Constable Operational Reserve	1.1	1.1	1.1	1.1	1.1
Covid19 Reserve	1.2	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
<b>Total Earmarked</b>	<b>12.3</b>	<b>8.4</b>	<b>8.0</b>	<b>8.0</b>	<b>6.8</b>

- The insurance reserve is maintained to meet future claims against Surrey Police and the ill health reserve is for capitalisation amounts due to the Home Office as an officer is ill health retired.
- The 2022/23 budget is built on a planned draw on the following reserves. The PCC Estate Strategy Reserve is employed to meet additional estate strategy costs in 2022/23 and again in 2025/26 and also to support the 2022/23 revenue budget. The PCC Cost of Change Reserve is being employed to meet approved Transformation activity during 2022/23. The OPCC Operational Reserve is deferring the impact of growth within the OPCC budget. The Covid19 Reserve is meeting the collection fund deficit that is allowed to be spread over three years from the 2020/21 deficit.

### 13. Appendices - Appendix A

#### Base Scenario Medium Term Revenue Financial Forecast

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	-	-	-
<b>Total Cost Increases</b>	<b>18.1</b>	<b>20.3</b>	<b>4.0</b>	<b>6.6</b>	<b>8.9</b>
<b>Gross Budget Requirement</b>	<b>268.1</b>	<b>282.0</b>	<b>283.1</b>	<b>284.8</b>	<b>290.2</b>
<b>Annual Savings Requirement</b>	<b>(6.4)</b>	<b>(2.9)</b>	<b>(4.9)</b>	<b>(3.5)</b>	<b>(4.5)</b>
<b>Total Gross Budget</b>	<b>261.7</b>	<b>279.1</b>	<b>278.2</b>	<b>281.3</b>	<b>285.6</b>
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
<b>Total Funding</b>	<b>261.7</b>	<b>279.1</b>	<b>278.2</b>	<b>281.3</b>	<b>285.6</b>



## Appendix B - Efficiency Savings Plan

Savings Proposals 2022/23	£'000
Pay	909,844
University Fees	836,000
Supplies and Services	454,400
Travel, Subsistence, Accommodation	218,413
Supplies and Services	204,480
Other	129,250
Training & Materials	58,721
Other Specialist Operational Equipment	34,000
Overtime	3,187
<b>Total Lower Risk Decisions</b>	<b>2,848,295</b>
Supplies and Services	18,176
Pay	4,362
<b>Total Medium Risk Decisions</b>	<b>22,538</b>
Pay	30,133
Total Higher Risk Decisions	30,133
<b>All Savings Identified</b>	<b>2,900,966</b>

## Appendix C – Financial 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	£0.5	-£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

## Appendix D – Capital Programme (Funding)

2021/22	Surrey Capital Programme Funding	2022/23	2023/24	2024/25	2025/26	2026/27	Total
£m		£m	£m	£m	£m	£m	£m
-	Capital Resources Brought Forward	-	20.6	1.1	-	-	21.7
0.2	Central Government Grant	-	-	-	-	-	-
1.0	Other Capital Receipts	0.3	0.9	0.4	-	-	1.6
0.5	Estate Strategy Receipts	21.8	-	-	-	10.0	31.8
12.1	Estate Strategy Borrowing	-	-	32.3	7.7	-	40.0
-	Estate Strategy Borrowing - NON BTF	-	1.9	1.0	1.4	1.4	5.7
0.4	Other Borrowing	2.3	3.0	5.1	2.4	-	12.8
14.2	Total Capital Resources	24.4	26.4	40.0	11.5	11.4	113.6
19.3	Capital Resources Applied	1.2	19.5	32.3	7.7	9.5	70.2
(5.1)	Capital Resources Carry Forward	20.6	1.1	-	-	-	21.7

0.2	Revenue Resources brought forward	-	-	-	-	-	-
2.6	Revenue Contributions Received in-year	3.6	4.6	5.6	6.6	7.6	28.0
-	Other External Grants / Conts	-	-	-	-	-	-
1.9	Capital & Investment Reserve	-	-	-	-	-	-
4.7	Total Revenue Resources	3.6	4.6	5.6	6.6	7.6	28.0
5.1	Revenue Resources Applied to Capital	3.6	4.6	5.6	6.6	5.5	25.9
-	Revenue Resources Applied to Revenue	-	-	-	-	-	-
(0.4)	Revenue Resources Carry Forward	-	-	-	-	2.1	2.1
19.3	Total Funding Applied	7.4	29.9	44.1	16.6	16.4	114.4

## Appendix D – Capital Programme (Expenditure)

2021/22	Surrey Capital & Investment Programme	2022/23	2023/24	2024/25	2025/26	2026/27	Total
£m		£m	£m	£m	£m	£m	£m
1.9	Information Technology	1.1	2.8	4.7	1.8	1.8	12.2
0.2	Business Led IT Projects	-	-	-	-	-	-
3.7	Fleet Replacement and Equipment	3.8	4.7	5.5	5.6	3.6	23.2
13.0	Estate Strategy	2.1	22.3	33.8	9.1	10.9	78.1
0.6	Operational Equipment	0.4	0.2	0.2	0.2	0.1	0.9
19.3	Total	7.4	29.9	44.1	16.6	16.4	114.4

## APPENDIX D.2

Change Projects for Delivery 2022-23				BUDGET REQUIREMENT - 2022/23								
Bid Reference	Name of Initiative	Force	Reporting Area	Sussex			Surrey			Total (Off-Off)		
				Capital	Revenue	DD&T	Capital	Revenue	DD&T	Capital	Revenue	DD&T
n/a	CHANGE RESERVE	Sussex	Change Delivery / Finance		£500,000			£450,000				
n/a	CHANGE RESERVE	Surrey	Change Delivery / Finance					£450,000				
					£500,000							
Obligated												
CS/04/2223	LEDS (Law Enforcement)	National	Corporate Services	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC
CS/09/2223	Data Retention and System Changes	Joint	Corporate Services	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC
CS/11/2223	VCOS - DA and Sexual Abuse in Children	Joint	Corporate Services		£3,700				£4,747	£0	£0	£10,448
D/04/07/2223	P363 Optimisation	Joint	DD&T		£2,814,400				£242,695	£0	£0	£334,100
D/04/07/2223	Niche RMS - additional user licenses	Sussex	DD&T	£210,000	£37,800					£210,000	£37,800	£0
D/04/07/2223	Niche RMS - additional user licenses	Surrey	DD&T				£132,000	£37,700		£132,000	£37,700	£0
D/04/16/2223	DDAM - enhance & optimise	Joint	DD&T	£27,280	£18,550	£70,928	£2,720	£15,450	£59,072	£50,000	£3,400	£130,000
D/04/16/2223	DDAM - enhance & optimise	Surrey	DD&T		£3,456	£11,458		£15,000		£0	£15,000	£0
SC/04/2223	Initial Upgrade - DD&T Budget	Joint	Specialist Crime		£141,856	£93,843		£4,544	£9,542	£0	£13,000	£21,000
SC/05/2223	Quality Standards Project	Joint	Specialist Crime	£8,821			£8,179	£118,144	£78,157	£18,000	£26,000	£172,000
O/03/2223	PCU ISO Accreditation	Joint	Operations Command	£12,003	£546	£5,729	£9,997	£4,544	£4,771	£22,000	£1,000	£10,500
D/04/03/2223	Win down 10 CEP Forensic Deployment continuation	Joint	DD&T			£238,373			£19,527	£0	£0	£456,900
C/09/2223	DCS Upgrade Project (part of ESM/CP/ESN)	Sussex	Operations	£105,000						£105,000		£0
C/09/2223	DCS Upgrade Project (part of ESM/CP/ESN)	Surrey	Operations				£82,100			£82,100		£0
C/09/2223	DCS Upgrade Project (part of ESM/CP/ESN)	Joint	Operations	£21,824	£22,370	£55,699	£18,179	£18,630	£46,388	£40,000	£4,100	£102,087
C/09/2223	ESMCP (Emergency Services Mobile Communication Programme)	Sussex	Operations		£211,000					£0	£211,000	£0
C/09/2223	ESMCP (Emergency Services Mobile Communication Programme)	Surrey	Operations					£161,000		£0	£161,000	£0
				£385,928	£437,578	£773,134	£1,012,072	£356,922	£643,900	£1,398,000	£794,500	£1,417,035
				£385,928	£437,122	£705,978	£1,012,072	£352,378	£587,970	£1,398,000	£784,500	£1,293,948
Operational Necessity												
D/04/06/2223	Niche RMS - upgrade 2022	Joint	DD&T			£59,555			£49,833	£0	£0	£109,888
D/04/10/2223	Digital Asset Management System (DAMS)	Joint	TBC			£27,826			£23,174	£0	£0	£51,000
ES/01/2223	Access Consolidation	Sussex	Enabling Services	£34,347		£3,437			£34,247	£0	£0	£34,377
ES/01/2223	Access Consolidation	Surrey	Enabling Services				£2,212		£2,863	£22,112	£0	£2,863
ES/02/2223	Forcewide CCTV Replacement	Sussex	Enabling Services	£300,000	£40,000	£83,200				£300,000	£40,000	£83,200
ES/04/2223	Vehicle Telematics (Project Veritas)	Joint	Enabling Services (ITS)	£13,840		£24,552	£1,380		£10,448	£25,000	£0	£40,000
ES/05/2223	Op Capelin - MTS & Leves HQ	Sussex	Enabling Services	£250,000		£88,108				£250,000	£0	£88,108
ES/05/2223	Op Capelin - MTS & Leves HQ	Surrey	Enabling Services								£0	£73,381
ES/07/2223	Capelin - Leves HQ deployment	Sussex	Enabling Services	£2,280,000	£100,000	£49,000	£3,000		£73,381	£30,000	£0	£73,381
ES/07/2223	Capelin - Leves HQ deployment	Surrey	Enabling Services							£280,000	£100,000	£49,000
SC/03/2223	Communications Data - Exploitation and Analysis	Joint	Specialist Crime		£133,126	£48,558		£110,874	£40,442	£0	£244,000	£89,000
SC/01/2223	Digital Forensics (DFT) Programme	Joint	Specialist Crime	£109,120	£257,523	£70,928	£90,880	£234,477	£59,072	£200,000	£47,000	£130,000
SC/02/2223	Prisoner Intelligence Notification Systems (PINS) upgrade - DD&T Budget	Joint	Specialist Crime		£1,819	£2,728		£3,181	£2,272	£0	£7,000	£5,000
SC/07/2223	eQMS - electronic Quality Management System	Joint	Specialist Crime		£11,458	£18,823		£9,542	£15,677	£0	£21,000	£34,500
UP/02/2223	Digital Interview Recording (DIR) Phase B	Joint	Criminal Justice & Custody	£264,925	£105,628	£107,156	£21,875	£87,872	£89,244	£481,800	£19,600	£186,400
EW/01/2223	ESP Programme	Joint	ESP		£778,371			£645,429		£0	£1,423,000	£0
O/04/2223	Teaser Asset Cabinets (Chronicle)	Joint	Operations Command	£43,102	£14,186	£20,634	£3,898	£11,816	£1,176	£79,000	£8,000	£37,800
O/07/2223	Clearance System Upgrade	Joint	Operations Command	£163,680		£7,966	£13,630		£6,634	£300,000	£0	£34,600
ES/06/2223	Corporate Finance Management Tool (Planful)	Joint	Commercial & Financial Services		£9,772	£42,670		£8,138	£3,537	£0	£17,910	£78,207
C/04/2223	Joint Smart Storm	Joint	Contact	£70,382	£259,180		£5,618	£215,840		£129,000	£475,000	£0
C/11/2223	Smart Storm - decommissioning	Joint	IT Infrastructure			£7,638			£6,362	£0	£0	£14,000
C/06/2223	Joint Contract & Unified Telephony (JCUT) (Unified Comms)	Joint	DD&T		£68,360	£16,268		£55,640	£13,622	£0	£122,500	£30,000
C/10/2223	Almave Resilience & Continuity Programme	Sussex	Operations		£1,520,473		£42,666			£1,520,473	£0	£42,666
C/10/2223	Almave Resilience & Continuity Programme	Surrey	Operations				£345,334		£35,334	£345,334	£0	£35,334
				£5,047,567	£2,381,603	£722,103	£949,647	£1,866,907	£491,381	£5,997,114	£4,248,510	£1,213,594
				£4,027,860	£774,388	£241,323	£528,454	£562,052	£200,394	£4,556,314	£1,336,910	£442,307
				Sussex			Surrey			Combined Force Total		
				Capital	Revenue	DD&T	Capital	Revenue	DD&T	Capital	Revenue	DD&T
				£7,060,475	£4,084,229	£1,860,871	£3,316,739	£3,030,008	£1,447,310	£10,377,214	£7,114,237	£3,308,181
					£493,695			£411,005			£904,500	
NOTE 1: all totals EXCLUDE Reserves				£7,060,475	£3,590,734	£1,860,871	£3,316,739	£2,619,003	£1,447,310	£10,377,214	£6,209,737	£3,308,181
NOTE 2: all totals INCLUDE reserve Savings				£2,646,636	£1,833,885	£688,238	£1,776,214	£1,538,337	£470,688	£4,422,900	£3,372,222	£1,158,926
				£4,413,788	£1,756,848	£1,172,633	£1,540,526	£1,080,666	£917,621	£5,954,314	£2,837,515	£2,149,259
				£4,413,788	£2,529,482		£1,540,526	£2,057,288		£5,954,314	£4,896,789	

## Appendix E Surrey Financial Risk Analysis – February 2022

<b>Issue</b>	<b>Assumption</b>	<b>Comment</b>
<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	The Chief Constable believes that there are sufficient resources to deliver future Police & Crime Plan priorities, Chief Constable Priorities and Strategic Policing Requirement. However there remains risk from the cost of major operations including counter-terrorism, major incidents including pandemics, particularly if these are not fully funded nationally.  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.
<b>Pay and price budgets and establishment control</b>	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%	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.  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 priorities. The DCC Force Organisational Board will monitor all aspects of the financial and human resources including the recruitment progress and report to the PCC.  The risk that prices may rise is mitigated by budget monitoring arrangements, reserves and actively managing spend pressures.
<b>Limits to Precept Increases</b>	£10 in 2022/23 Future precept planning assumption of a 2% increase.	The ability to increase the precept complemented by Operation Uplift grant has enabled targeted and affordable investment in future years are planned at Band D increases of £10 subject to government policy and PCC annual decision.  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.  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.
<b>Grant Levels</b>	Main police revenue grant          Capital grant removed	Recently the settlements have been one year only settlements. 2022/23 has seen the first of a three year settlement. Whilst we know the values of the settlement for 2023/24 and 2024/25, it is not yet known how they will be distributed. There is still the possibility of the funding formula review, when this may happen is unknown, this will be monitored regularly with proactive input to the Spending Review and any funding formula reviews or consultations arising. For 2022/23 the grant is flat cash apart from the increase in police officers under the Operation Uplift, which will end in 2022/23 and also included funding for the NI/NHS Precept Levy.  Capital Grant has been removed and is being distributed as part of wider capital reallocations. This will cause pressure on the force to deliver required capital programmes, albeit the capital grant was minor.
<b>Council Tax</b>	Collection rates advised by individual billing	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

	<p>authorities</p> <p>Tax Base</p>	<p>rates to mitigate this risk. The PCC works closely with billing authorities to monitor their key collection rates and contributes financially towards the costs of reviews of discounts, including the single person discount, and exemptions.</p> <p>The tax base is normally expected to increase during the MTFS period but the assumptions could be impacted by changes to the mix of dwellings, discounts and the impact of unemployment numbers within billing Authorities council tax reduction schemes.</p> <p>As a result of the COVID19 pandemic this risk has increased substantially and future estimates will be reduced and guided by the billing authority's data returns.</p> <p>There is support from government in 2 forms; reductions experienced from the tax base via the Local Council Tax Scheme grant amounts to £1.5m, a one off grant, which will be required to cover future years.</p> <p>Collection fund support in the form of a claim up to 75% of deficit and required to spread the remaining deficit over 3 years.</p>
<b>Pandemic</b>	Risks	<p>The Force maintained a specific risk register in response to this public health emergency including the financial risks, which comprised of staffing, cash flow, in year direct financial costs to respond and the longer term economic impact. These risks are mitigated by the control measures the specific areas within this risk analysis document as the pandemic is ongoing risk into the new financial year.</p>
<b>Budget Estimates (Expenditure)</b>	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 also the DCC Force Organisational Board before inclusion in the financial plan.</p> <p>Third party assurance has been gained from engaging CIPFA to review the financial assumptions in the plan.</p> <p>Risks of budget overspend are mitigated by the monthly budget monitoring process and formal monitoring reports to the PCC.</p>
<b>Budget Estimates (Expenditure)</b>	Provision for Operation Uplift enablement costs	<p>The Operation Uplift increase in police officers apart from the salaries requires additional vehicles plus running costs, IT equipment, uniform and kit. There are also costs in relation to estate provision plus running costs, recruitment and training costs. The budget estimates include the expected costs from this growth however there remains a risk that unidentified financial consequences were not catered for within the budget.</p> <p>All cost 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>
<b>Budget and financial reporting</b>	<p>Additional Investment in 2022/23 from Operation Uplift Officers (104) and new precept investment</p> <p>Monthly 'Group' budget monitoring</p>	<p>Financial monitoring is in place with a rigorous process of monthly review, including close scrutiny by the Chief Constable's Chief Finance Officer, the PCC's Chief Finance Officer and at the monthly DCC Force Organisational Board, at which progress against the investment is reported.</p>

<b>Savings Plan</b>	Budget includes savings	<p>The achievement of 5% and 10% savings options have been put forward and have been scrutinised by Chief Officers as to the acceptability and achievability of the proposed savings.</p> <p>Action plans to deliver savings continue to be reviewed by Chief Officers and regular monitoring will be undertaken to track achievement of savings and ensure any additional action required is undertaken during the year.</p> <p>The savings planned in the first year of the four year plan are within the reserves available but would be exceeded in subsequent years if not delivered.</p>
<b>National IT System charges</b>	Move to full cost charging without transfer of funding from Home Office.	Further potential costs related to the national Home Office charges for IT systems from a grant ratio allocation basis to a Force budget ratio which may lead to additional costs for Surrey Police including changes to training and the creation of the national police college could continue in 2022/23 and beyond. A PCC and Police group has been established to scrutinise these cost before they are agreed.
<b>Levels of Reserves</b>	Forecast to reduce over the term of the MTFS	<p>Currently used to finance the capital and investment programme and major change initiatives. It remains a risk that the level of reserves is adequate to meet unplanned demand and unexpected costs.</p> <p>To mitigate this risk, the General Reserve is kept at a minimum of 3% of revenue expenditure.</p> <p>An annual review of all reserves is undertaken at budget setting along with a post year-end review and update to the MTFS. Now that our budget is increasing further contributions are required to reserves in order to meet the stated limits over the period of the MTFS. Specific reserves are being employed to reduce the pressure on the revenue budget.</p> <p>A reserve by its nature can only be employed as a one off cash injection, the savings planned in the first year of the four year plan are within the reserves available but would be exceeded in subsequent years if not delivered.</p>
<b>Interest rates, investment and borrowing</b>	<p>Interest rates assumptions</p> <p>Borrowing at fixed rates.</p>	<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.</p>
<b>Income Assumptions</b>	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.
<b>Police Pension</b>	McCloud and Sergeant Implementation	Police pensions along with many public sector pensions was reviewed to ensure a fairer balance between public purse and pensioners. The scheme was changed to a Career Average Revalued Earnings (CARE) scheme which included transitional

		arrangements. These arrangements were challenged and accepted by the tribunal. There is a possible risk that future employer contributions will have to increase as the cost of the scheme is expected to be higher. The risk is whether this higher employer contribution is met from government funding or rests with Forces.
<b>LGPS Pension</b>	LGPS reform changes	Exit payment restrictions are under consideration by the government to include special severance payments and a £95k cap replacement scheme.  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.
<b>Reductions in security grants</b>	Potential reductions in Airport and other security grants.	MTFS assumes that grants will continue at current level. If subsequently reduced, savings will be made to cover the reduction outside of core savings targets.
<b>Public Order</b>	Additional cost of overtime and associated costs	Whilst action will be taken to mitigate the overtime and other additional costs relating to policing public order operations, significant costs may be incurred on anticipated events in 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.
<b>Operational Demands</b>	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. <a href="https://recruitment-dcp-dp.org/dorset-police-staff/forensic-capability-network/">https://recruitment-dcp-dp.org/dorset-police-staff/forensic-capability-network/</a>
<b>Capital Programme</b>	Latest plans	There is a risk of the capital programme being understated, or that over spending occurs, resulting in insufficient funding being available as planned. Slippage may also impact on operational demands. The capital plan is reliant of several sources of funding including capital receipts which are at risk of not being achieved either in quantum or timing. These risks are mitigated by regular review of all major projects including the Estates Strategy and DDaT projects, focus on key priorities agreed in advance, together with monthly budget monitoring and regular monitoring reports to the PCC.  The Strategic Change Board review all bids for change programmes and the CFO Board review other capital bids along with the full programme of work.
<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>Regional Partners</b>	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 unplanned expenditure within the year. A regional Police lead for SERIP has improved the communication to minimise this



		possibility, within their scope.
<b>National ICT Programmes</b>	Latest plans	There is a risk that delays to the implementation of national DDaT schemes including ESMCP, NLEDS & HOB present significant risk. These risks will be managed by regular review of all these major projects at both the Strategic Change Board and the DCC Force Organisational Board.
<b>Local ICT Programmes</b>	Project transition	Following the delays experienced by the ERP project it has now entered a transition phase to assess the direction the Force wishes to take to further develop the asset taking into account their priorities, risk appetite and affordability. There is a risk due the nature of it being a major IT project that costs maybe under estimated. The associated risk is the cost of maintaining legacy systems to ensure they remain fully operational.
<b>Risk Management</b>		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).
<b>Non-Pay Inflation</b>		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.

## 14. Glossary

PCC – Police and Crime Commissioner

ICT – Information Communication Technology

DDaT – Digital Data and Technology

HMICFRS – Her Majesty's Inspectorate of Constabulary & Fire and Rescue Services

ANPR – Automatic Number Plate Recognition

SOCU – Serious Organised Crime Unit

FTE – Full Time Equivalent

ERP – Enterprise Resource Planning

FMS - Force Management Statement

MTFP – Medium Term Financial Plan

PEEL – Police Efficiency, Effectiveness & Legitimacy

NCA – National Crime Agency

ROCU – Regional Organised Crime Unit

CPS – Crown Prosecution Service

ESN – Emergency Services Network

ESMCP – Emergency Services Mobile Communication Programme

NPCC – National Police Chiefs Council

NLEDS – National Law Enforcement Data Service

CT – Counter Terrorism

PPE – Personal Protective Equipment

CIPFA – Chartered Institute Public Finance Accountants