



Surrey Police
Medium Term Financial Plan
2024-2028
March 2024



ACHIEVING FINANCIAL EXCELLENCE | FINANCE DEPARTMENT

OFFICIAL

Contents

- 1. Summary**
- 2. Context**
- 3. Introduction**
- 4. Funding**
- 5. High level Budget Planning & Strategy**
- 6. Investments and Commitments**
- 7. Force Fit for the Future**
- 8. Savings Programme**
- 9. Headcount Impact**
- 10. Capital Strategy**
- 11. Assumptions**
- 12. Risks**
- 13. Reserves**
- 14. Appendices**
 - A – Medium term financial forecast
 - B – Savings plan
 - C – Financial assumptions
 - D – Capital programme & financing
 - E – Risk analysis
- 15. Glossary**

Contacts

Document Owner

Peter Appleton
Executive Director of Commercial & Finance Services

Document Editor

Bev Foad
Head of Business Partnering and Support

1. Summary

This Medium-Term Financial Plan (MTFP) supports the delivery of the Police and Crime Commissioner's (PCC) Police and Crime Plan, the Force's Operational Plans. It has been created using the financial and business assumptions set out in this document and also with regard to the needs of the Force Business Plan and Force Management Statement priorities. The MTP also includes financial scenario planning in order to assess risk but the narrative will refer to the base scenario unless otherwise stated.

The financial settlement for 2024/25 and forward outlook.

The financial settlement for 2024/25 was confirmed on 31st January 2024 with no changes from the provisional settlement announced on 14th December 2023.

The key elements of the national settlement are.

- Nationally the financial settlement provides a total of up to £18.4 billion for policing in 2024/25, an increase of £0.8bn on the 2023/24 funding settlement.
- Available funding to Police and Crime Commissioners (PCCs) will increase by up to an additional £922 million in 2024/25, including local flexibility to increase council tax precept by £13 on band D which would represent an increase to PCC funding in cash terms of 6.0% on top of the 2023/24 police funding settlement.
- The Chancellor confirmed at the Autumn Statement that departmental budgets set out at Spending Review 2021 - additional funding for policing will be provided in 2024-25; £150m as agreed plus an additional £259m to mitigate the impact of increased pension contributions with a one-off top-up payment of £26.8m be provided to forces for implantation costs, reducing the financial pressures forces are facing to deliver these changes.
- Funding for counterterrorism continues with £1 billion for 2024/25 to support ongoing counter- terrorism policing investigations to keep the country safe and including funding for both armed policing and the counter-terrorism Operations Centre.
- The Government states that it has provided significant investment and that it is imperative that policing continues to deliver on driving forward improvements to the productivity and identifying efficiencies where possible. The Government will continue to work with the sector to unlock the full range of opportunities and benefits of productivity and innovation to enable officers to have the tools to deliver on their core mission of keeping the public safe. The Government expects the policing approach in 2024-25 to focus on the following key priorities:
 - Maintaining 20,000 additional officers through to March 25.
 - Continuing to deliver on the opportunities presented by new technology and innovation to deliver improvements in productivity and drive forward efficiencies, therefore maximising officer time and service to the public.
 - Improving the visibility of police officers and focusing on providing a target approach to tackling crime and antisocial behaviour to make neighbourhoods safer, which should be a priority for all forces.

Also included in this settlement are:

- £1.0 million 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.

Nationally the Home Office top sliced or made reallocations of the Police allocation by £1,038m in 2023-24, a reduction of £76.0m including the new capital reallocations of £128.7. Table 3 below sets out the areas the top slicing funding is directed towards.

Top Slicing / Reallocations	2023-24	2024-25
	£m	£m
Special Grant	50.0	34.0
PFI	71.6	71.2
Arm's Length Bodies	74.7	65.7
Police Technology Programmes	526.4	500.9
National Policing Capabilities	69.3	49.8
Forensics	20.6	13.0
Crime Reduction Capabilities	18.4	-
Fraud	18.1	18.1
Regional and Organised Crime Units	39.5	31.6
Serious Violence	45.6	45.6
Drugs / County Lines	30.0	30.0
NPCC Programmes	9.5	7.7
Capital Reallocations	104.9	128.7
Cyber Crime*	14.1	13.1
Tackling Exploitation and Abuse	21.3	17.6
Police Productivity and Innovation		11.0
Total	1,114.0	1,038.1

Details are as follows:

- 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 master's Labour and Abuse Authority.
- Regional Organised Crime Units – funding to support the specialist regional functions.
- Serious Violence Strategy – to tackle issues such as knife crime.
- The Police Special grant caters for national events or incidents that require additional police support.

The Police Capital grant to individual PCC's ceased in 2021/22 and is instead used to support national projects as shown in the table below.

2023/24	Police Capital	2024/25
£m		£m
11.7	Police Aviation	13.1
5.4	Arm's Length Bodies	4.0
72.2	Police Technology Programmes	111.6
15.6	Crime Reduction Capabilities	0
104.9	Total	128.7

The Government stated that it had provided significant investment into policing over the previous four years and expects the police to continue to build on the progress made on improving efficiency and productivity in return for this significant increase in investment. The Government expects the policing approach for 2024-25 to focus on the following key priorities:

- Ensuring overall police officer numbers are maintained at the agreed Police Uplift baseline plus force level allocations of the 20,000 additional officers through to March 25.
- Continue to deliver on the opportunities presented by new technology and innovation to deliver improvements in productivity and drive forward efficiencies, therefore maximising officer time and service to the public.
- Uplift
- Improving the visibility of police officers and focusing on providing a targeted approach to tackling crime and antisocial behaviour to make neighbourhoods safer, which should be a priority for all forces.

The investment opportunities.

The funding settlement provides the Force with the opportunity to prioritise investment based upon the Force Management Statement analysis.

Since 2018/19, Surrey Police has seen increases in resourcing, enabled by the PCC precept investment and Government's Uplift programme, which succeeded in recruiting an additional 20,000 police officers in England and Wales. These new officers coupled with PCSOs and specialist staff are making a significant impact – strengthening local divisions, improving public contact and modernising policing.

The efficiency savings requirement.

The savings plan developed by the Force will assist it to meet the continued challenges facing policing such as meeting financial constraints, improving efficiency and maintaining capacity to meet the new crime threats, particularly in public protection, such as domestic abuse, child sexual exploitation and exploitation of vulnerable adults. The savings will also enable investment in digital ways of working to improve productivity as well as meeting the increasing threat from the exponential growth in digital crime.

For the planning period 2024/25 to 2027/28 savings of £18.2m are required with £3.8m needed in 2024/25.

The Efficiency Plan

CIPFA was engaged by the Force to develop a robust and achievable savings plan. This delivered the savings needed for 2021/22, 2022/23 and 2023/24 and the Force has identified further savings for 2024/25 to achieve a balanced budget. Work is continuing to identify additional savings for future years make further savings but the Force has recognised that the current approach will not achieve all of the forecast saving requirement over the medium term and so will continue with the tactical savings strand to complement a Service Transformation Programme.

Service Transformation Programme

Background: Surrey Police, together with Sussex Police, commenced a transformational programme of work in June 2022 with the aim of addressing the £16.8m funding gap for Surrey between 2023 – 2027. It was clear through early investigation that neither force could close the gap through existing or planned changes, and that a more ‘transformational’ approach was required if the savings were to be achieved whilst minimising the impact on services to the public.

Scope: The scope of the Service Transformation Programme (STP) covers all aspects of the Force. However changes to Police officer numbers are excluded due to the conditions of the Government Uplift Programme which penalises Forces financially if officer numbers are not maintained.

The Programme has a clear set of working principles:

1. To address the funding gap
2. To deliver against the Force’s priorities, and the priorities of its communities
3. To maintain the Force’s identity
4. To deliver change and benefits in a sustainable and adaptive manner.

The early stage of the Programme was broken into a number of tranches. These tranches were designed to allow for consultation with stakeholders and business owners to identify how each force could close its gap. As a result, the Programme will tackle the funding gap in four ways:

Transformation Projects: These will be where the most significant opportunities lie and potentially up to 75% of the funding gap could be closed from these projects. There are several projects identified under four thematic areas and will be delivered incrementally from 2024 onwards.

Planned and Tactical Savings: It is anticipated that 10-15% of savings can be found from projects underway currently and through senior leaders driving efficiencies from within their own business areas.

Targeted Reviews: These will be implemented from 2023/24 and will form the biggest cultural change for both organisations. Through regular reviews of business areas, opportunities will be identified to deliver a function at a lower cost. The methodology can be scaled up or down

depending on budget pressures and it is anticipated that 25-40% of the savings needed can be found this way.

New Change Management approach: A new joint Force Change model was implemented during 2023/24 to enable both forces to plan, deliver and realise the true benefits of such a significant Transformational Change Programme.

The development of the efficiency plan means that the Force has a mechanism to address its potential funding shortfall in future years. The savings work provides several proposals that the Force can continue to work on to deliver savings and hence 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 and to monitor the pace of change to provide management with early warning should plans not progress as anticipated. This should ensure that any additional action required is undertaken in a timely manner. Detailed business cases to deliver savings are presented, considered and monitored at the Joint Chief Officer Meeting and the Strategic Change Board.

Surrey Police continue to review its efficiency savings and future investment plans to ensure service delivery is maintained, future financial risks are considered, and funding directed to priority areas.

The Reserves Plan.

Reserves form an important part of a financial strategy. Not only do they provide funding for longer term projects, such as the Estates redevelopment, but also for one off Investment to deliver savings. General reserves, maintained at a minimum level of 3% of spend, are vital for managing operational and financial risk such as unforeseen cost pressures and incidents. i.e., Covid etc

The 2024/25 budget assumes there will be no use of general reserves although there is a planned draw on the PCC Cost of Change Reserve to provide investment to drive the Transformation plans for 2024/25. However, if these savings are not delivered quickly enough reserves may be required to meet the shortfall on a temporary basis.

The Capital Plan.

There are no historical Capital reserves nor Government grants and hence any investment in capital assets can only be funded by asset sales, revenue funding and borrowing. 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 so as not to impact operations. This has meant that projects have had to be prioritised by the Change Delivery Board depending on the business case, affordability and organisational need.

2. Context

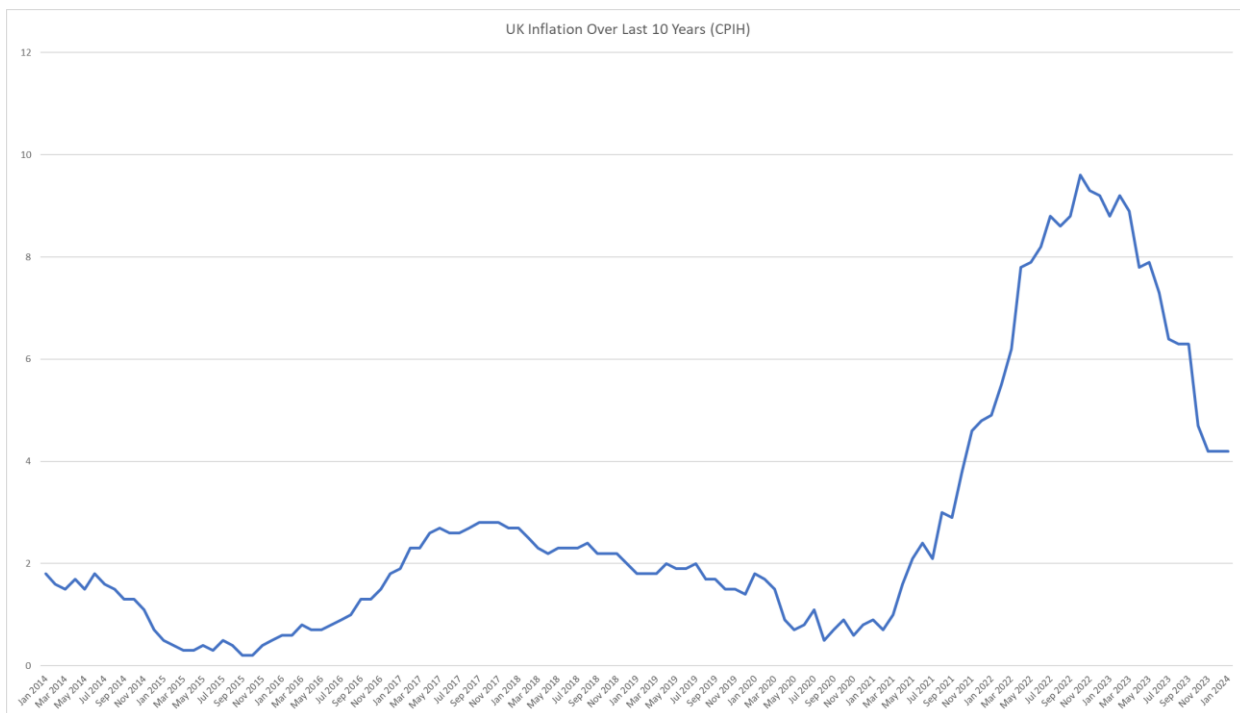
Inflation

Recently inflation has led to rising prices for goods and services which has impacted the budget. Some areas, such as energy, have experienced increases above the headline rate of inflation, and so has had a disproportionate impact on force finances.

The presence of inflation and its unpredictability makes it more challenging to plan our finances. Unlike a manufacturer, retailer or other supplier we are unable to stop services just because they cost more nor can we ourselves increase our income as this is determined by Government. Hence we can only meet the challenge of inflation through more efficient working. It is inflation, particularly around pay, that is driving the need to deliver savings over the MTFP period.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.2% in the 12 months to January 2024, the same rate as in December 2023. The largest upward contribution is due to higher gas and electricity charges, while the largest downward contribution came from furniture and household goods, food and non-alcoholic beverages. The graph below shows the rates over the last 10 years.

Table CPIH Inflation 10 Years – Source ONS



Inflation continues to be of particular concern as we plan for the next 4 years with the Bank of England’s prediction of a Consumer Prices Index (CPI) figure of over 3.0% in 2024 coming down from 7.9% last year; December CPI was 4.0%. These risks have been considered and are included in the financial risk assessment in Appendix E.

Force Vision

Surrey Police continues to focus on making Surrey a county that is safe and feels safe. The Chief Constable has set out in “Our Plan” the Force’s vision for its commitments to our

communities, our force and our people. The Force will use this to focus activity over the next four years and will form a key part of driving the organisational change over the next few years.

“Our Plan” has a number of aims set out as follows:

Surrey Police fights crime and protects people.

We strive to earn the trust and confidence of all our communities.

Here for everyone who needs us, we put service before self.

We prevent crime and solve problems.

We investigate crime thoroughly.

We pursue criminals relentlessly.

Future Funding

In terms funding the prospect of a national funding formula review is a continued risk. Both the National Audit Office and Public Accounts Committee that both criticised the Home Office for their lack of understanding of police demand and not having a funding formula that reflects the policing needs. Although a lot of work has been done on this nationally there is no indication as to when this may be completed. However it is not a given that a review would result in an increase in funding for Surrey, although we do currently have the lowest level of funding, given that crime levels and the ability to increase Council Tax could be taken in to account.

3. Introduction

This paper provides the latest projections on the financial position for the period to 2027/28, 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 incorporates unavoidable costs from 2023/24, pay inflation plus other unavoidable cost pressures such as IT licences, national charges, salary increments, fuel and utility increases, SEROCU contributions. Forensic fees, legal fees, Estates Strategy, ERP and revenue contributions to capital financing to support the level of capital investment required.

A projected capital programme has also been included in this document which will be reviewed with respect to the timing of planned expenditure and its impact on the revenue budget. The Police Capital grant to individual PCC’s ceased in 2021/22 and is instead used to support national projects as explained earlier in this paper.

4. Funding

Funding Received

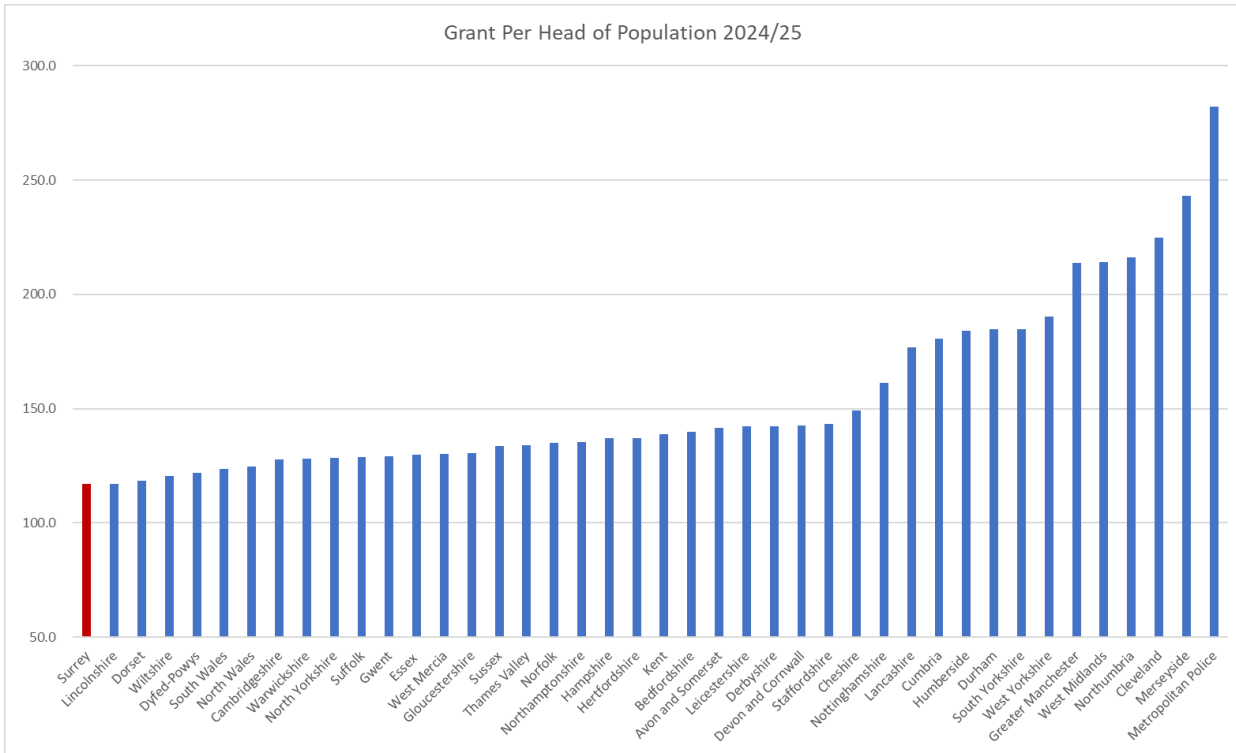
The Medium Term Financial Plan (MTFP) contains a number of key assumptions of which an important one is the level of precept charged to Surrey council tax payers for policing. For 2024/25 the Police and Crime Commissioner, after consulting with Surrey residents and taking on board the recommendations of the Chief Constable in respect of operational pressures proposed an increase in the precept by the maximum amount permitted by Government of £13 on Band D properties. The Police & Crime Panel considered and narrowly rejected the proposal on the 2nd February 2024 but not by a sufficient number to veto it and so the PCC subsequently approved it. This resulted in the Precept requirement for 2024/25 together with the Collection Fund balance per District as set out in the table below.

Authority	Tax Base	Collection Fund Surplus/Deficit £	Precept £
Elmbridge	66,517	82,883	21,522,906
Epsom & Ewell	33,762	81,626	10,924,500
Guildford	59,891	6,923	19,378,769
Mole Valley	41,693	155,638	13,490,636
Reigate & Banstead	64,252	180,942	20,790,117
Runnymede	35,496	59,437	11,485,376
Spelthorne	39,241	238,641	12,697,210
Surrey Heath	39,750	225,326	12,861,746
Tandridge	39,128	(135,780)	12,660,647
Waverley	58,262	243,073	18,851,932
Woking	42,255	58,130	13,672,580
TOTAL	520,247	1,196,838	168,336,419

55% of the funds needed for Policing comes from the precept -the highest in England – with the remaining 45% coming from Government through grants of one sort or another.

This means that Surrey receives the lowest level of grant funding per head in England, as is shown in the graph below, and is therefore more dependent on precept than other forces. As a result Surrey residents pay one of rates of Council Tax in the country – currently £323.57 for a Band D property.

The table below shows the level of funding Surrey receives. Per Band D tax payer, compared to other Forces which amounts to only £116.90 per tax payer. If Surrey were to receive the average in the country (excluding the highly populated cities) this would provide the Force with over an additional £29.4m.

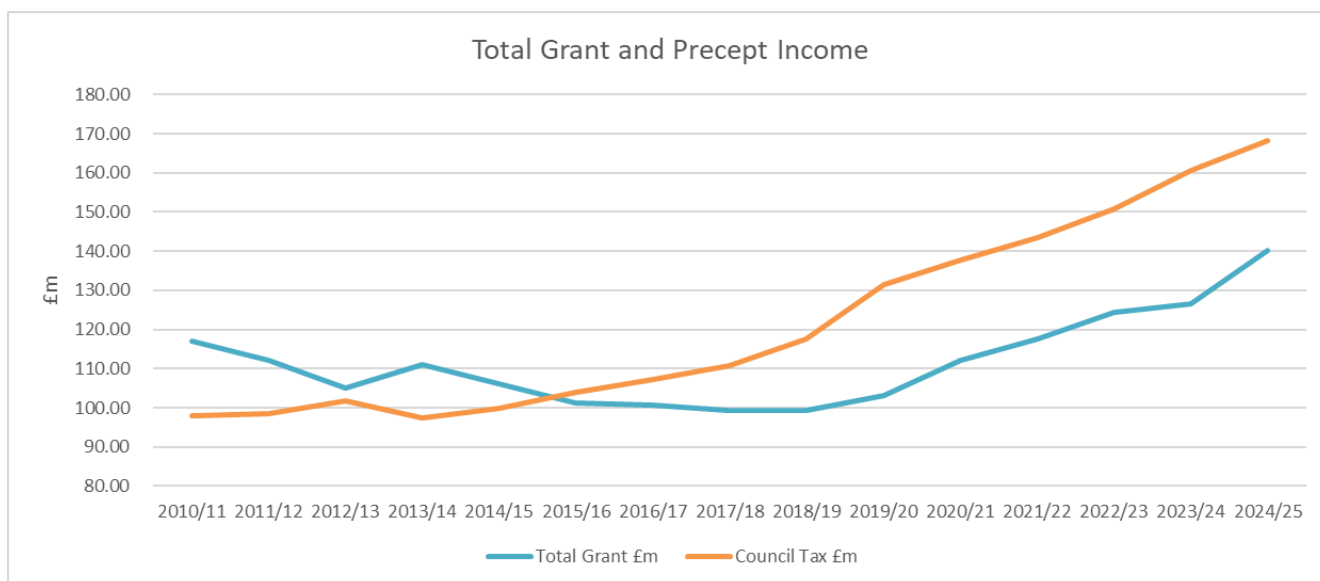


Although there has been talk of a review of the police funding formula for a while it is unclear when this will happen or what the implications could be. no assumptions regarding a change to the funding formula have been included in the MTFP.

Real Terms Funding Reduction.

Surrey Police has experienced a real terms funding reduction of 8.2% over the previous 10 years (2010/11 to 2020/21) which the Force has addressed through saving plans that have focussed on efficiency whilst maintaining front line service delivery.

The chart below shows how the reduction in government grant was offset by precept increases. The rise in Government funding over the last few years is mainly as a result of funding being provided to recruit an additional 20,000 officers rather than addressing ongoing funding pressures.



Financial Settlement 2024/25

This MTFP incorporates the final police grant settlement for 2024/25 as laid before Parliament on 31st January 2024. It was also announced that PCCs would be able to increase Council Tax by up to £13, rather than the original £10, without having a local referendum. If all PCCs opted for £13 this would provide an additional £298m of resources nationally when compared to 2023/24.

The breakdown Government funding for Surrey is shown in table 1 with table 2 projecting the funding position over the four years. It has been prudently assumed that Government funding will remain flat cash i.e. no change from 2024/25 for the whole of the MTFP period. There is a risk that the grant could rise or fall during this period, but this is impossible to quantify – especially with a new Government and spending review expected later this year.

The headlines of the national financial settlement, which were set out earlier in this report, translated in to the following local outcomes:

- PCC precept flexibility to increase Band D by £13, this would yield £6.8m gross and net amount of £9.0m after council tax collection fund surplus of £1.2m.
- Total funding increase of £21.4m net of adjustments
- Home Office core grant of £140.3m increase of £13.7m (10.8%).
- The Home Office provide a Grant in support of the 7% pay award for police officers. However, as this is distributed by formula grant shares rather than say, headcount it did not cover the entire cost as intended.
- The Operation Uplift Grant has been split with some of it being put in to the base grant and £5.5m in to a ring-fenced performance grant. This is clawed back if officer numbers increased as a result of Uplift are not maintained. A further £0.5m was paid for the early recruitment of 10 additional officers above Uplift.

MEDIUM TERM

- Funding for the recruitment of officers in counter-terrorism policing will be paid to forces through dedicated counter-terrorism policing grants.
- No specific Police Capital Grant meaning all capital expenditure has to be funded by Forces themselves.

Table 1 – Breakdown of Government Funding for 2023/24 and 2024/25

2023/24 £m	2023/24 Proportion %		2024/25 £m	2024/25 £m	Proportion %
288.5		Total Revenue Expenditure		309.7	
0.1		Less Appropriations (to) / from Reserves		-0.1	
288.4		Net Budget Requirement		309.8	
		Less			
76.9		Main Policing Grant	82.8		
35.0		Revenue Support Policing Grant	35.7		
2.5		Council Tax Legacy Freeze Grant	2.5		
6.8		Council Tax Local Support Grant	6.8		
3.6		Operation Uplift Performance Grant	6.0		
2.0		Pensions Grant	6.5		
126.6	44%	Total Policing Grant		140.3	45%
		Local Council Tax Scheme Grant			
161.8		Balance to be raised locally		169.5	
1.2		Less net surplus / deficit on collection funds		1.2	
160.6	56%	Council Tax Requirement		168.3	55%

Table 2 – Estimated Government Funding for MTFP period to 2027/28

Grants	2023/24 £m*	2024/25 £m*	2025/26 £m*	2026/27 £m*	2027/28 £m*
Home Office Police Grant	111.87	118.53	118.53	118.53	118.53
Op Uplift Performance Grant	3.56	5.98	5.02	5.50	5.50
Total Core Government Grants	115.4	124.5	123.5	124.0	124.0
Other specific Grants					
Legacy council Tax Grants	9.22	9.22	9.22	9.22	9.22
Police Officer Pension Grant	1.96	6.54	6.54	6.54	6.54
Total Funding from Government	126.6	140.3	139.3	139.8	139.8
Local Funding					
Precept	160.6	168.3	172.6	176.9	181.3
Collection Fund	1.2	1.2	0	0	0
Reserves	0.1	-0.1			
Total Budget Funding	288.5	309.7	311.9	316.7	321.1

Whilst there has been considerable investment in policing there is also significant focus on how policing can improve the outcomes it delivers for the public. A review was conducted on policing productivity, commissioned in 2022, to help identify and deliver tangible improvements to the frontline; the changes already agreed in terms of how policing responds to mental health calls and how crime is recorded are freeing up over one million hours. For 2024/25 the Home Office also confirmed £11.0m of funding for Police Productivity and Innovation.

5. High level budget planning and strategy

Work has been undertaken throughout the year to create the financial model for the later years of the MTFP period and this has been set out as Appendix A. This is based on a number of prudent assumptions, set out in Appendix C, and drives the base savings target, set out in Appendix B, of £18.2m over the four year period.

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 for 2024/25 amount to £3.8m and if all are delivered leaves a budget gap of £14.4m for the remainder of 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 exceeded its saving target in 2023/24 by £0.3m, mainly through a review of Specialist Crime non-pay budget and has been carried forward into 2024/25 to help balance the budget for that year. Additional savings of £3.5m have been taken at budget setting for 2024/25 via the Tactical Savings Working Group, Joint Force Change programmes and Change Delivery projects to deliver a balanced budget for the year. Savings above this figure have been moved in to 2025/26 to address future pressures. This is set out in more detail in Section 7.

The Estates Strategy programme, of which the main part is the redevelopment of the Police HQ, was formally approved to enter RIBA stage 3 in January 2024. The Planning application was submitted in April procurement for key contractors is underway. The requirement for funding for different phases of the project has been reflected in the MTFP. However, given some of the costs of the project are reliant on asset sales this does present a risk.

An integral part of the financial plan is funding of capital plan given this has to come from assets sales, revenue and borrowing. For prudence borrowing will only be used to fund life assets, such as buildings, and all other capital expenditure, such as vehicles, will need to come out of revenue.

With respect to Council tax the ability to increase the precept by £13 in 2024/25 was welcome and represented a significant investment in policing. However, going forward, it has been assumed that increase will be restricted to 1.99% which is nearer to the historical average.

6. Budget Gap

The projected budget gap of £18.2m is shown in the table below. This is based on the following key assumptions:

- Flat Grant over the four-year period.
- Precept – £13 for 2024/25 then 2% increase each year over the four-year period.
- Pay inflation – 5% in 2024/25 then 2% each year over the period.
- Non-pay inflation – 5.5% in 2024/25 then 2% each year over the period

Savings of £3.8m have been identified for 2024/25 which included £0.3m of overachieved from 2023/24 as set out in the table below:

2023/24	Saving Strand	2024/25
£m		£m
0	Joint Force Change Programmes	-1.7
0	Change Delivery Projects	-0.4
0	Tactical Savings	-1.3
0	Overachieved Savings taken in 2023/24	-0.3
-1.6	MTFF Reduction / Corrections	-0.1
-1.6	Total	-3.8

Joint Force Change Programmes include savings in enabling services of £0.7m with £1.0m within operation areas.

The Change Delivery projects include Technology rationalisation.

Tactical savings are a range of savings identified by budget holders which can be reduced in 2024/25.

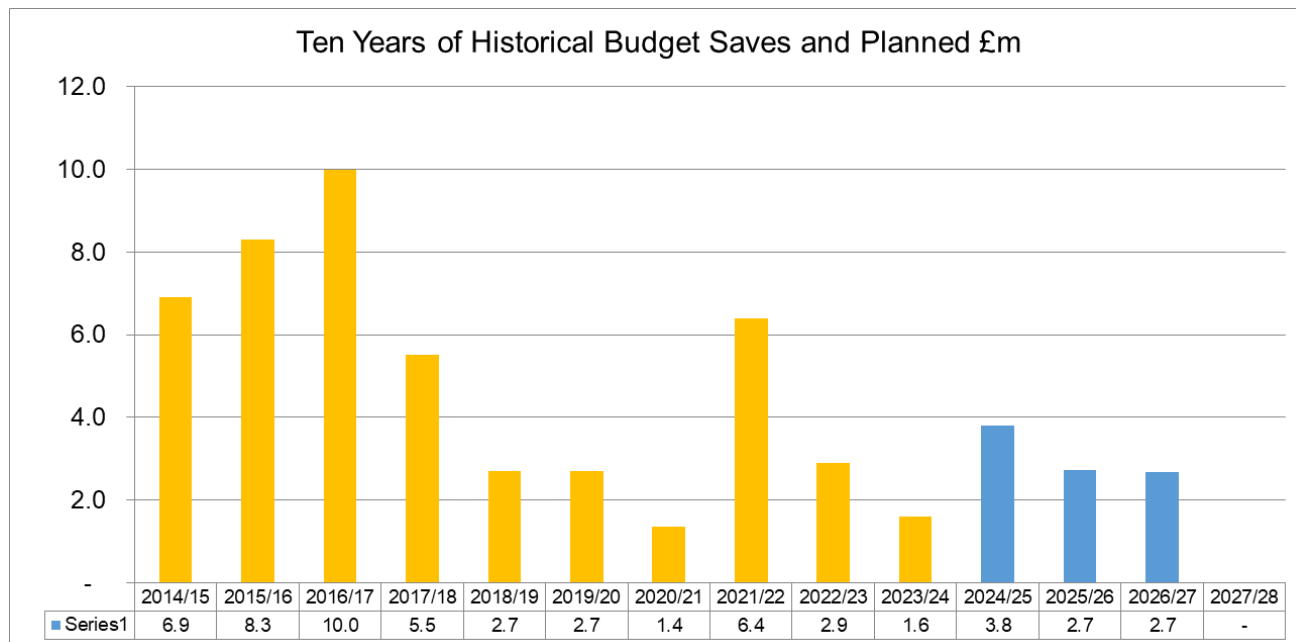
The Overachieved savings are also savings identified during reviews by budget holders and taken during the 2023/24 financial year. The base budget adjustment is shown in 2024/25.

Savings for the remainder of the MTFP period are set out below:

Surrey - Summary of MTFP Scenarios		2024/25	2025/26	2026/27	2027/28	Total
Annual Savings Requirement		£m	£m	£m	£m	£m
1	Precept £10 24/25 then 2% all years. 0% grant increase from 2025/26. Officer pay award at 7.0% 23/24 then 5% (Sep23 to Aug24) then 2% each year. Staff pay award at 4.0% from April 23 then 5% Apr24 - Mar25 then 2% each year. Non pay 5.5% 24/25 then 2% each year. Tax base 0.7% 24/25 then 0.5% each year.	(3.8)	(7.2)	(4.4)	(2.8)	(18.2)

7. Savings and Efficiency Plans

Historically the Force has achieved savings during previous years of £48.3m (2014/15 to 2023/24) with the projection up to 2027/28. These savings were needed to cover funding gaps and also to enable investment in new priorities.



Looking forward the table below shows the planned efficiency savings for the period of the MTFS grouped by risk (of achievement) category.

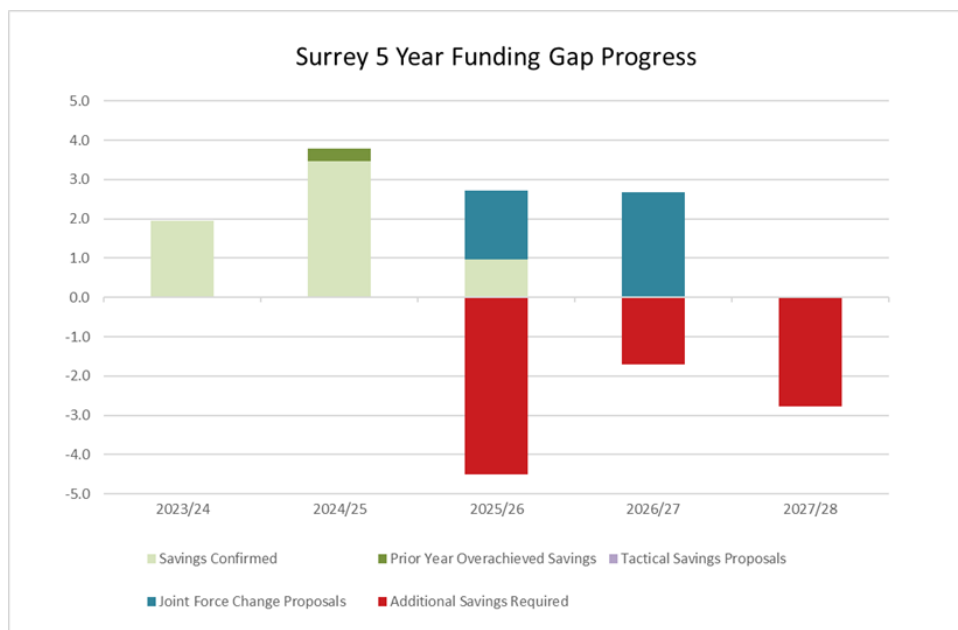
2023/24	Risk	2024/25	2025/26	2026/27	2027/28	4 Year Total
£m		£m	£m	£m	£m	£m
0.0	Red	0.0	-0.6	-2.7	0.0	-3.3
0.0	Amber	0.0	-1.2	0.0	0.0	-1.2
-1.6	Green	-3.8	-1.0	0.0	0.0	-4.8
-1.6	Total	-3.8	-2.7	-2.7	0.0	-9.2
-1.6	MTFS Efficiencies Required	-3.8	-7.2	-4.4	-2.8	-18.2
0.0	Net Efficiencies Required over MTFS	0.0	-4.5	-1.7	-2.8	-9.0

Following on from the work CIPFA completed assisting the Force to develop robust and achievable savings the Force identified a savings 2024/25 to achieve a balanced budget.

It is recognised that this alone will not achieve all of the forecast saving requirement over the medium term and so a number of initiatives will be needed to meet this challenge. These were explained earlier in this paper.

Efficiency saves schemes as identified by Joint Force Change and the Tactical Savings Working Group (details shown in Appendix B) are categorised into the red, amber & green risk headings. The future efficiency savings plan requires ongoing review and development as it is

estimated that £14.4m of additional savings will be required by from 2025/26 to 2026/27 inclusive.



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 larger projects are not expected to deliver efficiency savings for a couple of years so in year savings will have to be considered to meet any shortfalls. The use of reserves will also have to be considered to cover shortfalls on a one-off basis.

8. Operation Uplift Investment

The Government has provided significant investment to deliver 20,000 additional officers nationally over the past 3 years.

The Force must continue to maintain the officer headcount number to ensure none of the uplift performance grant is clawed back. In 2024/25 the grant increased to £6.0m (£3.6m 2023/24) which includes a temporary increase of 10 officers, Batch 1 worth £500k, as set out in the table below. Following the financial settlement there was an opportunity to bid for further additional officers and Surrey secured a further 12, Batch 2, worth £576k

Surrey	Headcount	Grant
Maintenance	2,253	£ 5,500,407
Batch 1	10	£ 480,000
SubTotal	2,263	£ 5,980,407
Batch 2	12	£ 576,000
Total	2,275	£ 6,556,407

The number of additional offices under Op Uplift in Surrey are set out in the table below:

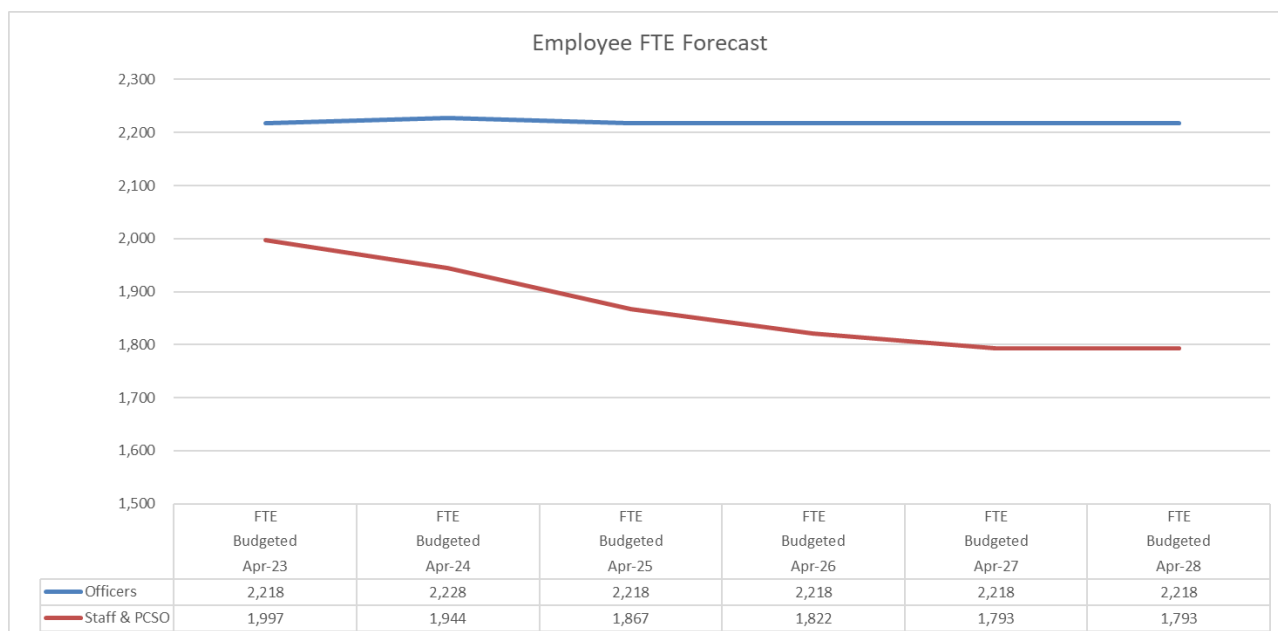
Op Uplift	Headcount	Headcount
Baseline		1,994
Year 1	78	
Year 2	77	
Year 3	104	
Total Increase		259
Maintenance		2,253
Additional - Batch 1*		10
Additional - Batch 2*		12
Total		2,275

* Temporary increases

9. Headcount Impact

As staff costs represent over 80% of the total budget any savings required will have an impact on headcount. The impact of this has been modelled over the for year period by assuming that half the savings required will result in the loss of Police staff posts. The number of posts this equates to has been calculated using average rates. No reduction in Police headcount is envisaged as the Government has made the receipt of Uplift grant conditional on maintenance of headcount and it has been assumed this will not change during the MTFP period.

The headcount impact for the MTFP is shown in the graph below:

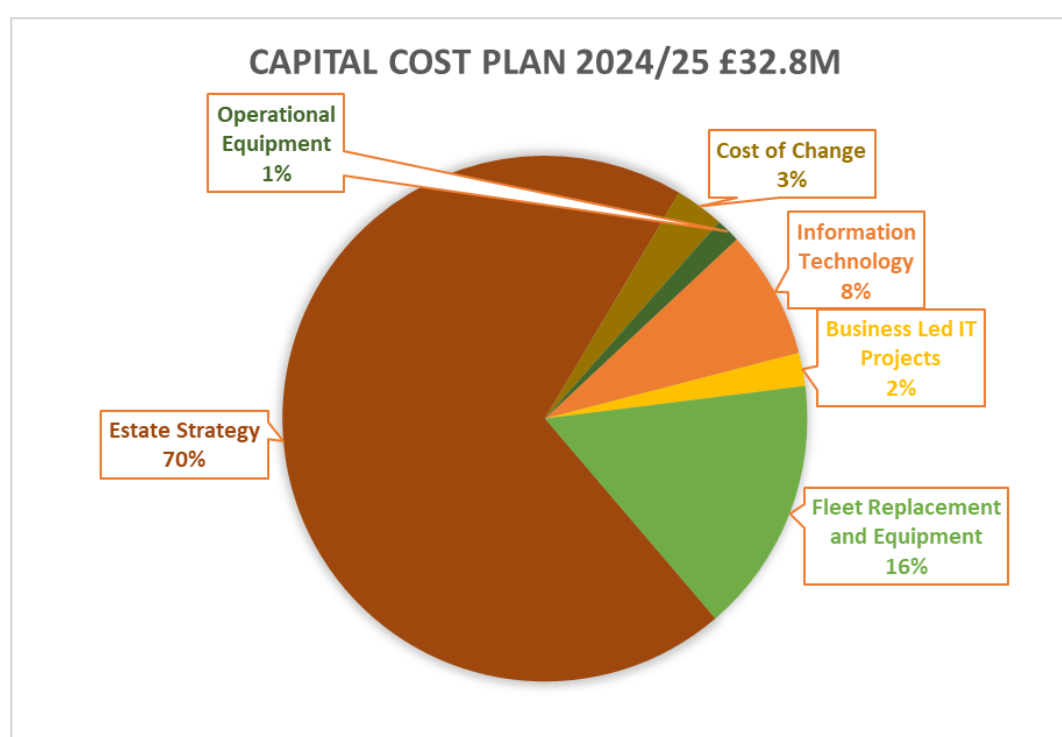


It is worth stating that this is only a “best guess”, and it will depend on how the savings are actually achieved as to the actual impact on staff numbers. This could also mean that officers may be required to undertake roles previously done by police staff. However, it is intended this will only where a there is a clear need for the additional powers a warranted officer has – but circumstances may dictate that this principle cannot be maintained.

10. Capital Strategy

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

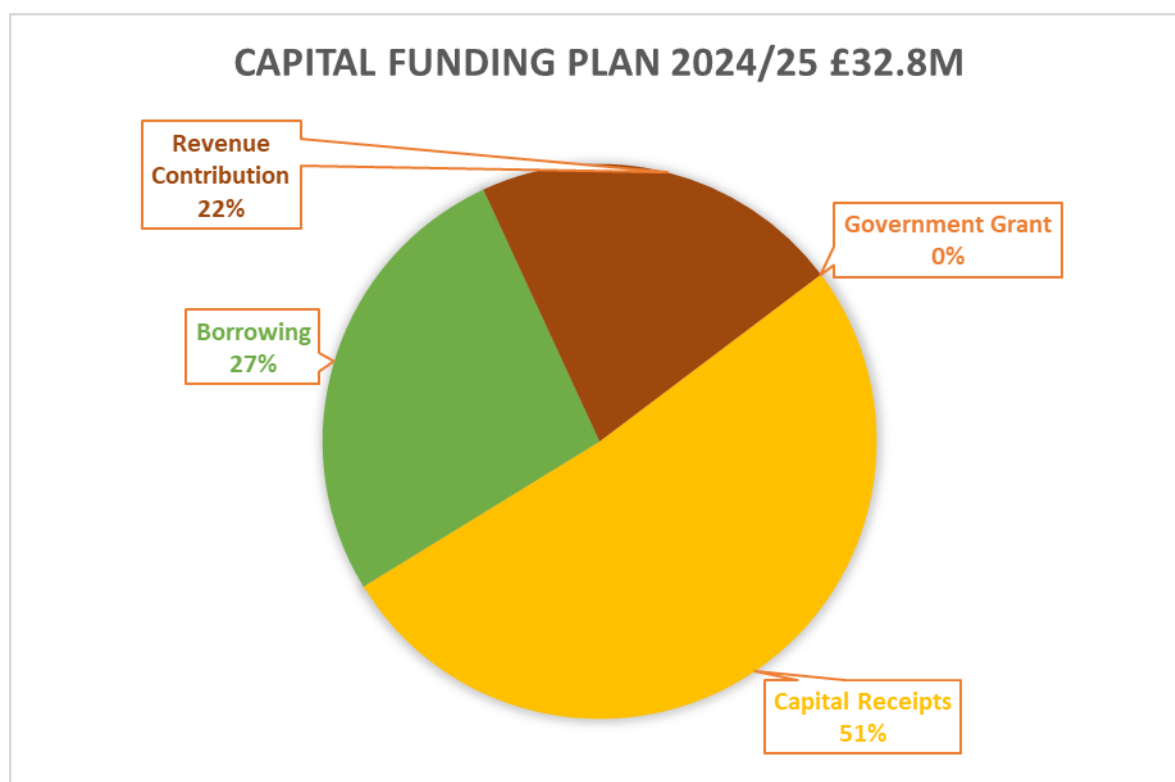
2023/24	Surrey Capital & Investment Programme	2024/25	2025/26	2026/27	2027/28	2028/29	Total
£m		£m	£m	£m	£m	£m	£m
1.1	Information Technology	2.6	3.0	2.2	2.2	2.5	12.4
1.4	Business Led IT Projects	0.7	-	-	-	-	0.7
6.1	Fleet Replacement and Equipment	5.2	4.6	4.5	4.4	4.4	23.1
4.9	Estate Strategy	22.9	29.6	30.0	18.6	2.1	103.1
0.5	Cost of Change	1.0	2.9	-	-	-	3.9
0.4	Operational Equipment	0.5	0.2	0.3	0.3	0.3	1.6
14.4	Total	32.8	40.3	36.9	25.5	9.4	144.8



- The capital programme for 2024/25 includes the main areas of DDaT (previously called ICT), Fleet, Estate Strategy and operational capital equipment.
- The Surrey Estates Strategy (previously called “Building the Future Project”) will be a future commitment and it has been reflected in the above table from 2024/25.
- The DDaT schemes are predominantly refresh or upgrade of existing with a couple of new schemes including Database tools and Cloud storage projects.
- The Fleet Replacement is supported by a detailed Asset Management Plan and takes into account the benefits from telematics.

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

2023/24	Capital Funding Summary	2024/25	2025/26	2026/27	2027/28	2028/29	Total
£m		£m	£m	£m	£m	£m	£m
-	Government Grant	-	-	-	-	-	-
6.2	Capital Receipts	16.9	16.5	-	1.5	-	34.9
2.4	Borrowing	8.8	13.8	28.8	14.7	(0.0)	66.1
5.8	Revenue Contribution	7.1	10.0	8.1	9.1	9.4	43.7
14.4	Total	32.8	40.3	36.9	25.3	9.4	144.8



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. Borrowing and Revenue can only be used if it is affordable and this affordability drives the size of the capital program. The PCC currently has some external borrowing for Estates and more will be required to fund other Estates projects. All other capital expenditure will be funded from revenue although some internal borrowing may be used, with the agreement of the Chief Finance Officer, to meet short term requirements. Specific points to note.

- The funding for the Change Programme has not been decided yet, but borrowing and use of reserves will be considered.
- The Surrey Estates Strategy is planned to be funded from borrowing (£56.9m) and the revenue implication needs to be catered for in the revenue budget. The borrowing requirement is £3.8m in 2024/25, £12.1m in 2025/26, £10.2m in 2026/27 and £2.1m in

2028/29. The revenue impact for debt repayment (MRP) and interest is circa £2.239m (5.53% interest rate) for 2024/25.

- The upgrade of the ERP requirement has been included in the above capital programme.
- 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, however interest rates remain high at 5.25% (Bank of England base rate in March 24).
- 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.

11. Assumptions

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

- Government Grants will remain unchanged in future years.
- Police officer employer pension contributions rise from 31% to 35.3% in 2024/25 with the increase funded by the Home Office.
- Council tax support grant is maintained at the same level.
- The agreed savings plans are realised in amount and timing.
- A precept increase of £13 in 2024/25 and future 2.0% increase on Band D in each year. The tax base from which the precept is derived has an estimated growth rate of 0.7% in 2024/25 and 0.5% per year thereafter.
- Staff and Officer Pay increases by 2.5% in 2024/25 plus a 2.5% inflation contingency with 2% thereafter. For staff 5% in 2024/25 and 2% thereafter.
- Non pay inflation has been budgeted at 5.5% for 2024/25. 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 2024/25.
- Local Government Pension Scheme: The police staff pension scheme is a funded scheme and is relying on underlying assets to support future liabilities. Given the scheme is in surplus no change in contributions has been built in.
- Reserves Strategy is to maintain general reserves at least at 3% of budget over the planning period.

- The Surrey Estates Strategy, including the costs of Agile Working and the re-development of Mount Browne headquarters, both of which have a capital and revenue impact have been included.
- 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.

12. 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 has been seen as a key risk since the pandemic which has seen significant hikes on fuel and energy prices. The Bank of England is forecasting that inflation has peaked and will decrease rapidly early in 2024/25 but this may not happen.
- 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 restrict increases or levels of Council Tax.
- Employee retention remains a risk for the Force and funding has been included in the base budget to mitigate this. This though could also drive up the pay costs.
- Revaluation of properties to be undertaken in 2024 poses a risk that police premises could see an increase in business rate costs. However, it could mean larger receipts on disposals.
- Increase in costs for vetting and disciplinary action as a result of recent national cases and HMCFRS recommendations.
- The increasing demands on policing coupled with the changing nature of crime and public expectations could drive costs higher.
- The introduction of national systems and infrastructure changes are a prevailing risk as a mandated cost increase to the Force.
- The outcome of the Spending Review as well as any changes to the Formula could impact income levels both positively or negatively

- Climate Change. The aim to make the force carbon-neutral may require significant capital investment which will need to be funded.

A full financial risk analysis schedule is provided at appendix, and these are considered regularly by the Financial Risks group.

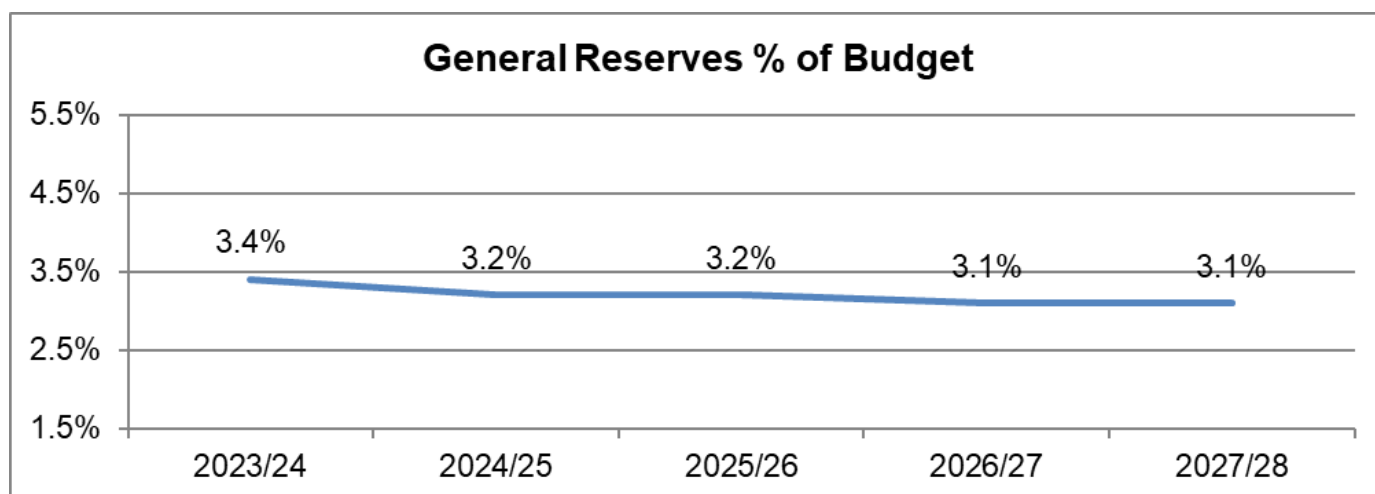
13. Reserves

All reserves are held and controlled by the PCC rather than the Force.

General Reserves are held as a risk management contingency to deal with unexpected costs pressures and incidents such as Covid. Earmarked reserves are held to cover more identifiable risks, such as insurance losses, and also to fund longer term investment and projects.

The general reserves strategy is to maintain the level at 3% of annual revenue budget, based on CIPFA advice. In reality it slightly above 3% to reflect the risk of a delay in the achievement of savings through the Service Transformation Programme deliver the savings required. This only provides a temporary solution as the reserves can only be spent the once whereas the savings are required on a recurrent basis.

The chart below shows the general reserve levels over the MTFP period:



There are specific reserves in place to meet known risks and projects. These are set out the table below and a separate reserves strategy:

*estimated	2023/24	2024/25	2025/26	2026/27	2026/27
	£m*	£m*	£	£	£
General Reserve	8.8	8.8	8.8	8.8	8.8
Earmarked Reserves					
OPCC Operational Reserve	1.2	1.2	1.2	1.2	1.2
PCC Estate Strategy Reserve	4.4	4.4	4.4	4.4	4.4
PCC Cost of Change Reserve	5.6	4.4	4.4	4.4	4.4
Chief Constable Operational Reserve	1.1	1.1	1.1	1.1	1.1
Chief Constable Op Pheasant	0.5	0.5	0.5	0.5	0.5
Delegated Budget Holder Reserve	5.1	6.3	6.3	6.3	6.3
Net Zero Reserve	1.7	1.7	1.7	1.7	1.7
Insurance Reserve	1.9	1.6	1.6	1.6	1.6
Police Pension Reserve	0.6	0.6	0.6	0.6	0.6
Total Earmarked Reserves	22.0	21.7	21.7	21.7	21.7

14. Appendices - Appendix A

Base Scenario Medium Term Revenue Financial Forecast

Precept £13 24/25 then 2% all years. 0% grant increase from 2025/26. Officer pay award at 7.0% 23/24 then 2.5% + 2.5% contingency (Sep23 to Aug24) then 2% each year. Staff pay award at 4.0% from April 23 then 5% Apr24 - Mar25 then 2% each year. Non pay 5.5% 24/25 then 2% each year. Tax base 0.7% 24/25 then 0.5% each year.	2023/24	2024/25	2025/26	2026/27	2027/28
REVENUE COST BASE	£m	£m	£m	£m	£m
Base budget	279.1	288.5	309.7	311.9	316.7
Pay Inflation	9.3	14.3	7.0	5.0	4.9
Price Inflation	1.3	2.9	1.1	1.1	1.1
Revenue - Base Assumptions	1.2	6.1	0.6	1.1	1.1
Revenue - Capital Investment	-	1.2	2.6	1.9	0.8
Unavoidable Costs	2.2	(0.1)	(0.1)	-	(0.7)
Cost of Change net	0.6	0.0	(1.8)	-	-
Service Growth	(2.3)	0.0	0.0	0.0	-
Estate Strategy Project Expenditure	(0.4)	0.5	(0.1)	0.2	-
Precept Investment	-	-	-	-	-
Operation Uplift	(0.9)	-	-	-	-
Total Cost Increases	11.0	25.0	9.4	9.2	7.2
Gross Budget Requirement	290.1	313.5	319.1	321.1	323.9
Annual Savings Requirement	(1.6)	(3.8)	(7.2)	(4.4)	(2.8)
Total Gross Budget	288.5	309.7	311.9	316.7	321.1
FUNDING	2023/24	2024/25	2025/26	2026/27	2026/27
	£m	£m	£m	£m	£m
Home Office Grant	76.9	82.8	82.8	82.8	82.8
Revenue Support Grant	35.0	35.7	35.7	35.7	35.7
Council Tax Support Grant	9.2	9.2	9.2	9.2	9.2
Operation Uplift Performance	3.6	6.0	5.0	5.5	5.5
Specific Grant	2.0	6.5	6.5	6.5	6.5
Local Council Tax Scheme Grant	-	-	-	-	-
General Reserves	(2.0)	-	-	-	-
Specific Reserves -					
Estate Strategy	-	-	-	-	-
Cost of Change	2.1	1.1	-	-	-
Delegated Budget Holder Reserve		(1.2)	-	-	-
Surplus/(deficit) on Council Tax Collection Fund	1.2	1.2	-	-	-
Base precept	150.8	160.6	168.3	172.6	176.9
Taxbase Improvement	2.0	1.0	0.8	0.9	0.9
Precept increase	7.8	6.8	3.4	3.5	3.6
Total Funding	288.5	309.7	311.9	316.7	321.1

Appendix B - Efficiency Savings Plan

Forecast Funding Gaps - SURREY £18.2m	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
Annual Savings Gap Requirement - 2023/24 Q3 MTF v2	-1.6	-3.8	-7.2	-4.4	-2.8
Savings Confirmed	2.0	3.5	1.0	0.0	0.0
Prior Year Overachieved Savings	0.0	0.3	0.0	0.0	0.0
Overall Funding Gap	0.3	0.0	-6.2	-4.4	-2.8
Savings Proposals:					
Tactical Savings Proposals	0.0	0.0	0.0	0.0	0.0
Joint Force Change Proposals	0.0	0.0	1.7	2.7	0.0
Sub-Total Savings Proposed	0.0	0.0	1.7	2.7	0.0
Savings Balance	0.3	0.0	-4.5	-1.7	-2.8
Additional Savings Required	0.0	0.0	-4.5	-1.7	-2.8

Confirmed
In Delivery
Pre-Delivery

RAG	REVENUE BUDGET SAVING S SUMMARY - 2024-25	2024-25		2025-26		2026-27	
		£	£'m	£	£'m	£	£'m
		Surrey	Surrey	Surrey	Surrey	Surrey	Surrey
Amber	Contact Centre Economy Mix			-£877,429	-£0.9		
Green	Shift Patterns	-£972,064	-£1.0	-£972,064	-£1.0		
Green	SMT Restructure	-£24,538	£0.0				
Amber	Enabling Services Establishment reset	-£485,121	-£0.5	-£287,359			
Red	Enabling Services Process Optimisation	-£211,750	-£0.2	-£563,249	-£0.6	-£1,622,239	-£1.6
Red	Digital Workshop			-£13,632	£0.0		
Green	Technology Rationalisation	-£408,960	-£0.4				
Amber	Rolling Review of Services					-£1,045,120	-£1.0
	Sub-Total Permanent Revenue Reduction:	-£2,102,433	-£2.1	-£2,713,732	-£2.7	-£2,667,359	-£2.7
Green	Closure of Vacant Posts	-£106,455	-£0.1				
Red	Police Property Act Income			-£16,000	£0.0		
Green	Vacancy Factor	-£68,000	-£0.1				
Green	Supplies & Services Budget Efficiencies	-£327,922	-£0.3				
Green	Income Budget Review	-£63,064	-£0.1				
Green	Investment Interest	-£300,000	-£0.3				
Green	DDaT Termination of Services	-£139,421	-£0.1				
Amber	FELU HO Fees Review	-£351,533	-£0.4				
	Sub-Total Permanent Revenue Reduction:	-£1,356,395	-£1.4	-£16,000	£0.0	£0	£0.0
Green	Sub-Total:	-£2,410,424	-£2.4	-£972,064	-£1.0	£0	£0.0
Amber	Sub-Total:	-£836,654	-£0.8	-£1,164,787	-£1.2	-£1,045,120	-£1.0
Red	Sub-Total:	-£211,750	-£0.2	-£592,881	-£0.6	-£1,622,239	-£1.6
	GRAND TOTAL:	-£3,458,828	-£3.5	-£2,729,732	-£2.7	-£2,667,359	-£2.7
	2024-25 SAVING S TARGET (MTFF 2023-24 Q3):	£3,795,758	£3.8	-£7,142,994	-£7.1	-£4,375,436	-£4.4
	Prior Year overachievement:	-£336,930	-£0.3		£0.0		£0.0
	Variance	£0	£0.0	£4,413,262	£4.4	£1,708,077	£1.7

Appendix C – Financial Assumptions

Assumption		2023/24	2024/25	2025/26	2026/27	2027/28
Capital Grant	£m	£0.00	£0.00	£0.00	£0.00	£0.00
Home Office Grants		196375500.0%	653590100.0%	653590100.0%	653590100.0%	653590100.0%
Uplift Performance Grant	£m	£0.0	£0.0	£0.0	£0.0	£0.0
Precept		£15	£13	2%	2%	2%
Tax base increase		1.30%	0.70%	0.50%	0.50%	0.50%
Collection Surplus/(Deficit)	£m	£1.2	£ -	£ -	£ -	£ -
Police Staff Pension Employer Contribution rate		16.5%	16.5%	16.5%	16.5%	16.5%
Police Officer Pension Employer Contribution rate		31.0%	35.3%	35.3%	35.3%	35.3%
Police Officer pay inflation		2.2%	2.5%	2.0%	2.0%	2.0%
Police Officer pay contingency			2.5%			
Police Staff pay inflation		4.0%	5.0%	2.0%	2.0%	2.0%
South East Allowance		£3,000	£3,000	£3,000	£3,000	£3,000
General Price inflation		2.0%	3.0%	2.0%	2.0%	2.0%
Income - Fees & Charges *1		Increased in accordance with NPCC and other indices each year				
Income – Specific Grants *2						
General Reserve		3% NBR minimum	3% NBR minimum	3% NBR minimum	3% NBR minimum	3% NBR minimum
Vacancy Rates - Police Officer		1%	1%	1%	1%	1%
Vacancy Rates - Police Staff & PCSO		10%	10%	10%	10%	10%

Appendix D – Capital Programme Expenditure

2023/24	Surrey Capital & Investment Programme	2024/25	2025/26	2026/27	2027/28	2028/29	Total
£m		£m	£m	£m	£m	£m	£m
1.1	Information Technology	2.6	3.0	2.2	2.2	2.5	12.4
1.4	Business Led IT Projects	0.7	-	-	-	-	0.7
6.1	Fleet Replacement and Equipment	5.2	4.6	4.5	4.4	4.4	23.1
4.9	Estate Strategy	22.9	29.6	30.0	18.6	2.1	103.1
0.5	Cost of Change	1.0	2.9	-	-	-	3.9
0.4	Operational Equipment	0.5	0.2	0.3	0.3	0.3	1.6
14.4	Total	32.8	40.3	36.9	25.5	9.4	144.8

Appendix D – Capital Programme Funding

2023/24	Capital Funding Summary	2024/25	2025/26	2026/27	2027/28	2028/29	Total
£m		£m	£m	£m	£m	£m	£m
-	Government Grant	-	-	-	-	-	-
6.2	Capital Receipts	16.9	16.5	-	1.5	-	34.9
2.4	Borrowing	8.8	13.8	28.8	14.7	(0.0)	66.1
5.8	Revenue Contribution	7.1	10.0	8.1	9.1	9.4	43.7
14.4	Total	32.8	40.3	36.9	25.3	9.4	144.8

Appendix E Surrey Financial Risks

Title	ASSUMPTION	COMMENT
	SURREY	
<p>Pay and price budgets and establishment control</p> <p>[Top 5 Risk – No. 1]</p> <p>Including: Uplift Performance Grant</p>	<p>Provision for national pay awards of 7% for 2023/24, 5% for 2024/25 and 2% for future years</p> <p>Staff turnover and increments based on detailed analysis of current staff profile and trends.</p>	<p>Risk of pay requirements exceeding the budget provision.</p> <p>Whilst the number of police officer leavers is difficult to predict, recruitment and promotions are managed during the year across Sussex Police to match staffing need and resources to budget.</p> <p>Detailed analysis of employee costs is carried out in setting the budget with close monitoring of the overall budget and management action to maintain financial discipline is particularly important to ensure resources are deployed to achieve the most effective and efficient service delivery. The DCC Strategic Planning Board / Force Organisational Board will monitor all aspects of the financial and human resources including the recruitment progress and report to the PCC.</p> <p>Any increase above the rates budgeted will need to be funded from a combination of use of an earmarked reserves, tactical one-off savings, cashable savings and efficiencies from service changes as there is no further government grant or precept available to meet the costs.</p> <p>Loss of or reduced grant due to not achieving and maintaining required Uplift targets (see Uplift Performance Grant)</p>
<p>Uplift Performance Grant</p>	<p>Full performance grant will be received</p>	<p>Risk of loss of or reduced grant due to not achieving and maintaining required Uplift targets. Risk of loss of or reduced grant due to not achieving and maintaining required Uplift targets.</p> <p>The forces have to meet their headcount target at September 24 and March 25 to receive 50% of the grant at each point. For each officer below the headcount at each point £40k will be withheld (one officer below at both points is £80k) up to 1.5% of the target or 30 officers whichever is greater, if more than 1.5% below or 30 officers target all the grant will be withheld.</p> <p>Headcount targets; Surrey 2,253</p> <p>Surrey workforce plan will achieve the targets in 2023/24. The 2024/25 workforce plan as at January 2024 is designed to achieve the target in Sept 24 and March 25. (Note a further allocation of 10 officers over target has been made with a grant of £48k per officer.) Surrey Op Uplift Performance Grant £6.0m</p> <p>Future year funding for the additional over target officers has been included in the provisional financial settlement, 2024/25 funding Surrey 0.5m</p>

MEDIUM TERM

<p>Non-Pay Inflation</p> <p>[Top 5 Risk – No. 2]</p>	<p>Current inflation planning is at 5.5% for 2024/25 and 2% for future years</p>	<p>Risk of non-pay inflation exceeding the budget provision</p> <p>Bank of England is forecasting that inflation has peaked and will decrease rapidly early in 2024/25. Any significant fluctuation in costs will be monitored through the monthly forecasting process and at the monthly CFO Risk Meeting.</p> <p>There is also a risk that utility costs will continue to increase due to other factors. Contracts flagged as likely to have significant increases are legal fees and Digital Forensics. Cleaning contracts will also increase with the Government announcement of the minimum wage increase.</p> <p>Risk of third (3rd) party suppliers’ ability to deliver on contracts. Due to the current economic market, there is a risk that 3rd party suppliers are unable to deliver services or goods contracts. Organisations facing increasing costs, such as fuel and source material national shortages, alongside a labour market buoyancy leading to potential staff shortages, these factors could lead to inability to service contract requirements or demand to the force/s.</p> <p>9/1/24 - All known inflationary costs have been included in the MTFF (including legal costs) which has increased the non-pay inflation rate to 5.5% in Surrey and 8.5% in Sussex.</p>
<p>Savings Plan</p> <p>[Top 5 Risk – No. 3]</p>	<p>Budget includes savings</p>	<p>Risk the MTFF savings requirement is not met.</p> <p>Recognising the need for future savings the Force has set up a Service Transformation Programme to review and identify where saving can be made. In addition to this the Tactical Savings Working Group continues to review other areas where savings can be generated.</p> <p>The savings planned in the first year of the four-year plan are within the reserves available but would be exceeded in subsequent years if not delivered.</p>
<p>Interest rates, investment and borrowing</p> <p>[Top 5 Risk – No. 4]</p>	<p>Interest rates assumptions</p> <p>Borrowing at fixed rates.</p>	<p>Forecasts of investment income for 2024/25 onwards are based on estimated cash balances and interest rate forecasts as set out in the treasury management strategy. A prudent position has been adopted about 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 where the deposit is placed, is limited by controls within the Treasury Management Strategy which focus on security rather than returns.</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>

MEDIUM TERM

<p>Threat to the sum of core government funding received by the PCC following a change in the police funding formula</p> <p>[Top 5 Risk – No. 5]</p>	<p>Review and initial consultation expect in the future</p>	<p>A review of the grant distribution method, known as the 'formula review', has been in planning for several years. Significant work has already been undertaken by PCCs and police to provide the body of evidence that will be required to convince HM Treasury of the financial requirements for policing bodies. The Home Office has now opened the review again. No assumptions regarding a change to grant levels has been included as it is expected that transitional arrangements will be implemented by the Home Office to manage any changes to allocated grant resources.</p> <p>This risk is included on the OSPCC Strategic risk register and is monitored monthly.</p>
<p>Police Pension</p>	<p>Contribution levels and McCloud and Sergeant Implementation</p>	<p>The increase in Police Pension scheme costs from 31% to 34% has been covered by the Home Office. No other rises anticipated</p> <p>This impact of the McCloud remedy costs is still unknown and it is unclear what the costs will be and whether this will be funded or not. Hence this does present a risk</p>
<p>Maintaining & improving service performance levels</p>	<p>Resources sufficient to meet targets and priorities in the Police and Crime Plan and Chief Constable Priorities</p>	<p>There is a risk that the Force is unable to maintain & improve service performance levels</p> <p>The Chief Constables believe that there are sufficient resources to deliver future Police & Crime Plan priorities, Chief Constable Priorities and Strategic Policing Requirement. However there remains risk from the cost of major operations including counterterrorism, major incidents including pandemics, particularly if these are not fully funded nationally.</p> <p>Home Office will be publishing its productivity review over the next couple of months</p>
<p>Limits to Precept Increases</p>	<p>£13 in 2024/25.</p> <p>Future precept planning assumption of a 2% increase.</p>	<p>There is a risk that precept funding is reduced on a permanent basis through precept limits or PCC decisions.</p> <p>The 2024/25 Police Funding Settlement allow PCC's the flexibility to increase the amount of precept by £13 for 2024/25 without a referendum. The level of future flexibilities is unknown. There is also the risk that the Government may restrict increases nationally or indeed the PCC locally putting pressure on the budget</p>
<p>Grant Levels</p>	<p>Main police revenue grant</p> <p>Capital Grant removed</p>	<p>2024/25 was the last year of a 3-year settlement. A spending review is due later in the year but when this will consist of will be dependent on amongst other things the outcome of a possible general election. Future funding could also be linked to the delivery of productivity improvements which could in themselves required investment to deliver.</p> <p>Capital Grant discontinued in 2021/22 but Forces are lobbying for it to be considered as part of the spending review process.</p>

MEDIUM TERM

<p>Council Tax</p>	<p>Collection rates advised by individual billing authorities</p>	<p>The risk of council tax collection rates being lower than expected could impact on the collection fund balances and any surpluses payable to the PCC. Billing authorities' factor in prudent collection rates to mitigate this risk. The PCC works closely with billing authorities to monitor their key collection rates and contributes financially towards the costs of reviews of discounts, including the single person discount, and exemptions.</p> <p>The tax base is normally expected to increase during the MTFS period, but the assumptions could be impacted by changes to the mix of dwellings, discounts and the impact of unemployment numbers within billing authorities council tax reduction schemes or changes to the proportion of support provided.</p> <p>The tax base for 2024/25 increased by 0.7%. Future tax base increase assumptions are included in the MTFS at 0.5%.</p>
<p>Budget Estimates (Expenditure)</p>	<p>Provision for specific on-going cost pressures</p>	<p>The budget estimates including all identified additional costs for 2024/25, supported by input and review by the Chief Financial Officers.</p> <p>All cost pressures are scrutinised internally by the Chief Finance Officers and also the DCC Strategic Planning Board / Force Organisational Board before inclusion in the financial plan.</p> <p>Risks of budget overspend are mitigated by the monthly budget monitoring process and formal monitoring reports to the PCC.</p> <p>The robustness of the overall budget setting process was reviewed by Internal Audit during 2022/23 and received a substantial assurance opinion.</p>
<p>Levels of Reserves</p>	<p>Forecast to reduce over the term of the MTFS</p> <p>To mitigate this risk, the General Reserve is kept at a minimum of 3% of revenue expenditure.</p>	<p>There is a risk that reserves are inadequate to meet future financial pressures, unplanned demand and unexpected costs. Surrey's reserve levels are still at the lower end compared to other Forces nationally.</p> <p>This is mitigated by an annual review of all reserves undertaken at budget setting along with a post year-end review and update to the MTFS. Specific reserves are being used on longer term projects to smooth out 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 required over the MTFP period could be met by reserves in the short term but would still need to be delivered after the reserves had been exhausted.</p>
<p>LGPS Pension</p>	<p>LGPS reform changes</p>	<p>The latest triannual valuation was included in the budget commencing for 2023/24.</p> <p>Although contributions could rise over the MTFP period this is considered to be unlikely given the current funding levels.</p> <p>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 could all impact costs</p>
<p>Overtime</p>	<p>Additional cost of overtime and associated costs</p>	<p>Whilst action will be taken to mitigate the overtime and other additional costs relating to policing public order operations, significant costs may be incurred on anticipated events in 2024/25. The Force is following nationally agreed guidelines on the policing of events and cost recovery to reduce any impact of supporting other Forces. It is proposed that</p>

MEDIUM TERM

		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 on several sources of funding including capital receipts which are at risk of not being achieved either in quantum or timing. These risks are mitigated by regular review of all major projects including the Estates Strategy and DDaT projects, focus on key priorities agreed in advance, together with monthly budget monitoring and regular monitoring reports to the PCC. The Strategic Change Board to review bids on an annual basis
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 before approval commencement and inclusion of these within the MTFF. The MRP debt repayment provision, based on the life of the asset 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 unplanned expenditure within the year.
NPAS	Latest plans	There is ongoing discussion on this collaborations agreement which may impact budgetary requirements
National ICT Programmes	Latest plans	There is a risk that delays to the implementation of national DDaT schemes including ESMCP, NLEDS & HOB present significant risk. These risks will be managed by regular review of all these major projects at both the Strategic Change Board and the DCC Strategic Planning Board / Force Organisational Board. Delays with ESMCP have been mitigated by renewing airwave devices There is also a risk that budget for national ICT programmes will increase for 2024/25 resulting in a higher level of top slicing.
Local ICT Programmes	Project transition	There is a risk of local ICT Programmes being underestimated or implementation being delayed resulting in additional costs
Risk Management	Risk Register	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).

MEDIUM TERM

<p>Digital Forensic Costs</p>	<p>Outsourcing costs will increase by c25%</p>	<p>Contract with current supplier was extended in January 23. Revised costs are at a 25% increase due to the supplier's main expenditure being staff, thus they face the same recruitment and retention issues from a limited pool of practitioners nationally. With the investigations Surrey & Sussex face being at a complex level it means competitive salaries are essential for them especially when combined with the current cost of living crisis and inflationary pressures.</p> <p>In addition, their business model seeks to achieve better margins in non-public sector work and international business opportunities, however the success of this has been slower than they had anticipated, in part due to the current economic state and down-turn in the world economy. Their operating costs have increased and show no signs of reducing in the next year.</p> <p>Research into other suppliers in this industry indicate that this new figure is still competitive, and information received from other forces show that the current supplier used charges significantly more to them than Surrey & Sussex due to the relationship that has been developed over the past three years of the contract, as well as the consistency of workloads they receive.</p> <p>There are still procurement steps to take in order to agree this revised pricing structure for the final year of this contract and there is still a significant risk around further future increases as the procurement process to seek a new contract in time for 1st March 2024 is due to start next year, which may be pulled forward dependent on the views of Senior officers. A review of demand on digital forensics has also been commissioned by Chief Officers.</p>
<p>Physical Forensic Costs</p>	<p>Forensic fees will increase by c10%</p>	<p>New physical forensic contracts were awarded earlier in 2022/23 and commenced in July 22. The Business Case was signed off by both PCCs and included projected 20.5% price increases across the consortium. Furthermore even with these increases there are concerns that suppliers may not be able to stay in business leading to further cost rises.</p>
<p>Business Rates Revaluation</p>	<p>Revaluation of properties</p>	<p>Risk that police premises could see an increase (or decrease) in business rate costs.</p> <p>Increases where known have been included in the 2024/25 budget setting process.</p>
<p>Increased cost of vetting</p>	<p>2024/25 budgets for legal fees have been increased through the unavoidable process</p>	<p>Risk that costs in Joint Vetting increase due to the impact of the recent cases and HMICFRS report</p>
<p>Utilities</p>	<p>No provision</p>	<p>There is an issue in Surrey where some properties have had estimated utility meter readings on an ongoing basis, this may mean that the force has been either under or over charged during this period.</p> <p>Costs are currently fixed until the end of September 24 , with new pricing coming into effect for October 24 to March 25. For the period October 25 to March 25 approximately 3/4 of this has been purchased. For electricity the expectation is for a reduction in price of between 18% and 28%, for gas the expectation is for a reduction in price of between 27% and 36%.</p>

IFRS 16	No provision	IFRS 16 will need to be implemented in April 2024, the financial implications of this accounting standard are currently being assessed and will need to be included as part of the 2024/25 budget setting process. The current assumption is that this will be cost neutral and covered by the current revenue budget provision.
Dogs & other seized Animals	No additional provision	Increased numbers of animals seized resulting in rising kennelling costs for seized animals
Tasers	No additional provision	There is a risk of additional costs for Tasers as a change has resulted in any police officers being able to choose to carry a taser. In addition to this the current equipment also needs upgrading to either version T7 or T10; T10 costing about £1,000 per unit and being the most likely and potentially it could be an additional £5m budget being required (for 5000 officers across both Forces).

15. 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