

SURREY POLICE AND CRIME PANEL

Surrey Police & Crime Commissioner's Precept Setting Proposal for the Financial Year 2016/17

1) B

4th February 2016

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BACKGROUND

Under Schedule 5 of the Police Reform and Social Responsibility Act 2011, as Police & Crime Commissioner, I have to notify the Police & Crime Panel by 1st February of the precept that I propose to issue under section 40 of the Local Government Finance Act 1992.

The Police & Crime Panel must review the proposed precept and make a report to me on the proposal by the 8th February. The report may agree with my proposals, or include recommendations on a different precept proposal, or the Panel may decide to veto the proposal if at least two thirds of Panel members vote in favour of making that decision.

If the Panel does not use its veto and I have published my response to the Panel's report, I can then issue the precept notice, which may either be the same as my original proposal, or a different proposal made in the Panel report with which I am in agreement. If the Panel veto my proposal, I must advise the Panel of a revised precept by the 15th February. The Panel then has to review the revised precept by the 22nd February and issue a further report to me.

Again, I have to consider the Panel's recommendations and publish a response. If the Panel accepts the revised precept, I can issue it. If the Panel does not accept the revised precept, I can ignore the Panel recommendations and issue the precept, or I can issue a different precept, taking into account the Panel recommendations, provided that if the original precept was vetoed because it was considered to be too high, the revised precept is not higher and vice versa if the original precept was vetoed for being too low.

I cannot issue the actual precept notice before the 1st March unless the Panel has completed its scrutiny process.

2) PRECEPT PROPOSAL

For the Financial year 2016/17 in line with the requirements of the relevant legislation and in accord with the Spending Review & Autumn Statement presented to the House of Commons by the Chancellor of the Exchequer, I am proposing to set a precept of £220.19 (for a Band D property) an increase of 1.99% on the 2015/16 precept of £215.89.

In proposing to set the precept at this level, I have acted in the knowledge that the Government require under the provisions of the Localism Act, that a referendum must be held if a proposed Council Tax Precept increase exceeds the principles endorsed by Parliament. The Council Tax Principles set for 2016/17 require a referendum to be held if the proposed increase in precept is 2% or higher than the previous year's Council Tax, so

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I have set my proposed precept increase at the maximum level allowed without breaching the principles that would trigger a referendum.

My recommendation, that the precept level should be set at 1.99%, follows the advice of the Chancellor who said in presenting his Autumn Statement that,

“Now is the time to back our police and give them the tools to do the job. I am today announcing that there will be no cuts in police budget at all. There will be real-term protection for police funding. Mr Speaker, the police protect us and we will protect the police”.

Panel Members will know that this is a view that I have advocated to them directly and to the Surrey public through the media, throughout my term of office as Police & Crime Commissioner and it is gratifying that George Osborne now advocates a similar strategy to my own. However, the Chancellor’s commitment to policing is only made good if, as he said in the House of Commons, individual Police & Crime Commissioners increase their Council Tax Precepts by the maximum allowed without triggering a referendum.

That is why I am proposing a 1.99% increase to the Panel, as I believe it strikes the right balance between not placing an unreasonable tax burden on Surrey residents, but raises enough funding for me to help the police keep the Surrey public safe. A view that I think is reflected in the statutory consultation that I have carried out with Surrey residents on my precept proposals, which showed an almost even split between those who want to keep the precept at last year’s level (48%) and those who support my proposal for a 1.99% increase (46%), with ‘don’t knows’ amounting to (6%).

In the three and a half years since I was elected, PCCs and Chief Constables have had to deal with new and changing demands in a policing environment that has never been more complex than it is today, tactically, technologically and culturally. Up to now these challenges have had to be tackled against a background of significantly diminishing resources, however if you agree to my proposal to increase the Council Tax precept by 1.99%, under my tenure I will have delivered to the Surrey public a police force that is not only increasing its number of warranted police officers by thirty-nine new budgeted posts from last year’s figure to a new total of 1944, but has during a period of stringent financial austerity managed to be possibly the only PCC to have delivered an actual increase in police officer numbers over the figure of 1940 that I inherited at the time of my election. Indeed I am confident that when the current national review of fire arms capability is completed, I will be able to increase that number yet further.

In addition I would draw members attention to the fact that not only does Surrey have more police officers than three and a half years ago, but in 2016 they will be significantly better equipped to carry out their duties more effectively and efficiently than was previously the case, with access to hand operated data terminals that provide up to date operational information, access to body worn video allowing easier collection of evidence that positively impacts on criminals’ behaviour when they interact with the police and Taser capability which allows officers to subdue violent offenders with reduced risk of physical harm to both police officers and the perpetrators of criminal activity.

I hope that the Panel will see that my proposal to increase the Council Tax precept by 1.99% is part of a continuing plan on my part to make Surrey Police more responsive to the specific needs of Surrey residents and that if the proposed increase is approved,

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Surrey Police will have the tools to continue to hunt down paedophiles, tackle domestic violence, crack down on fraudsters who target the elderly and vulnerable in our society, deal with the new threats posed by cyber-crime, respond more quickly to emergency calls for help, tackle violent extremists where required and reduce burglary by an even greater extent, so that we can all feel properly protected, which is what the Surrey public tell me they want.

The table below shows the Funding Sources that will be available to me in 2016/17 should you approve the Council Precept Tax increase that I am recommending:-

Summary of Funding Sources for 2016/17:

Grants	2015/16 £m	2016/17 £m	Difference £m
Home Office Police Grant	62.5	62.2	-0.3
Formula Funding	29.4	29.2	-0.2
Council Tax Legacy Grants	9.2	9.2	0.0
Total core government grants	101.1	100.6	-0.5
Local Funding			
Precept	103.9	107.2	3.3
Collection Fund Surplus		1.8	1.8
Reserves	0.6	3.0	2.4
Total Budget Funding	205.7	212.6	6.9

The tax base figures and collection fund positions have been confirmed by the Borough and District Councils and both have had a positive effect on the funding position. The tax base has increased by 1.2% and the Surrey Police share of the collection fund position amounts to £1.8 million. The following table provides the tax base & Collection Fund surplus by individual Borough and District Council also the precept amount on the assumption that a 1.99% increase is approved.

Authority	Tax Base	Collection Fund Surplus/Deficit	Precept
		£	£
Elmbridge	62,582.00	239,408.00	13,779,930.58
Epsom and Ewell	32,013.50	90,412.00	7,049,052.57
Guildford	55,531.10	146,825.00	12,227,392.91
Mole Valley	39,884.00	43,827.00	8,782,057.96
Reigate & Banstead	58,301.00	122,214.05	12,837,297.19
Runnymede	32,847.00	431,428.00	7,232,580.93
Spelthorne	38,308.40	175,200.00	8,435,126.60
Surrey Heath	36,890.20	79,400.00	8,122,853.14
Tandridge	36,969.90	96,400.00	8,140,402.28
Waverley	53,645.90	179,651.00	11,812,290.72
Woking	39,862.00	216,330.00	8,777,213.78
Total	486,835.00	1,821,095.05	107,196,198.66

Panel members will notice that despite the Chancellor's commitment to not impose cuts on the police service, Surrey has still suffered reductions in its central government funding, primarily because of the "top-slicing" (£218.4 million) that the Government has imposed on this year's Police Grant Settlement. The amount being "top-sliced" from police forces has increased by 23% since last year to pay for the development of a national Emergency Services Network (providing 4G access to police officers), increased funding for both the Independent Police Complaints Commission and for Police Special Grant and continued funding for the Police Innovation Fund, the College of Policing and the Major Programmes pot, the latter funding the Home Office Biometrics development.

The impact of all of this is that Surrey's central government funding has reduced by £0.5 million in actual cash terms since last year, notwithstanding that Surrey Police next year faces pay award pressures of £1.7 million, non-pay inflation estimated at £0.4 million and an increase in National Insurance costs of £3.8 million resulting from the Government's introduction of the New State Pension. In total these inescapable cost pressures amount to £6.6 million and help explain why a 1.99% precept increase is required. To help Panel members put this in context, for each 1% cut in the precept, Surrey Police would lose funding of just over £1 million, equivalent to the cost of funding approximately 23 warranted police officers.

The Government have set aside £34 million to support a national uplift in armed policing capacity that will enable the police to respond more quickly to situations that require an armed response. At this time there are no details on how this funding will be allocated, pending the outcome of the work that is currently being carried out to develop an enhanced national firearms capability.

3) THE 2016/17 REVENUE BUDGET

Although the Panel is not formally required to approve the budget or make recommendations on the allocation of the resources contained within it, I believe that it is important that the Panel is provided with the background information it requires to help it make an informed decision on my precept proposal, which I have arrived at based on the budget that I have formulated and approved based on the Chief Constable's operational advice.

The table overleaf is a summary of the changes that have been made to the budget from that which was approved last year.

In formulating the budget, inflation of 1% has been allowed for pay increases and 1.2% for non-pay budgets, although allocation of inflation to individual budgets will be applied at varying rates dependent on contractual commitments and knowledge of inflationary cost movements in particular areas of activity. There is a particular risk that the provision for pay inflation may not be adequate, as nationally agreed pay increases may be greater than 1% and I have no direct control over national awards.

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The additional unavoidable costs include contributions to Regional Policing and an increase in the cost of National IT charged to us by the Home Office.

Proposed Revenue Budget 2016/17

Proposed Surrey Police Revenue Budget 2016-17 (including the OPCC)

Surrey Police	£m
Base Budget	203.6
Inflation	2.1
National Insurance Uplift	3.8
Additional unavoidable costs	0.7
Cost of Change	1.4
Employee Retention	1.6
Investments	7.3
Savings plans	-10.0
Proposed Police Revenue Budget 2016-17	210.5
PCC Budget (Net of Victim Support Grant)	2.1
Total Budget	212.6

Money is being set aside in next year's budget (£1.6 million) to provide resources to help fund employee retention measures that will be designed to help halt the drain of trained officers leaving the Force for jobs outside the police service, in an improving job market and also to other local forces who are able to provide better remuneration packages or lower costs of living.

The key areas in which the Force will be investing more money during 2016/17 to meet identified policing need are:

- 1) Public Protection, an area experiencing unprecedented growth in demand and complexity, reflecting the changing nature of crime that sees crimes being committed in private spaces rather than in public.
- 2) Digital Forensics, another area that requires urgent investment to cope with the increasing amount of crime that is committed within the "digital world", that the swift evolution of technology has created.
- 3) Firearms Capability, with an enhanced national firearms plan in development funding is being set aside to make sure that Surrey Police are properly equipped.
- 4) Digital Enablement, funding is being provided to ensure that the Force is able to deliver to its officers the digital capability required by current front line operational policing, in terms of access to data and evidence recording. In addition new digital services that will enable the public to contact and interact more effectively with the

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police will also be funded.

- 5) Mobile Data Technology, as Surrey Police rolls out the new technology across the Force, additional investment has to be made in terms of IT support costs.
- 6) Local Policing, additional investment will be made during the year to realise the savings that can be made by implementing the proposals contained in the Policing in Your Neighbourhood (PIYN) review, which I explain in more detail under the financial savings explanations given below.

The Savings Plans required to balance the budget against the expected funding that will be available in 2016/17 are detailed in the table below;

Saving Category	£mill
Support Services	1.9
Corporate Services	0.9
Specialist Crime	2.0
Operations	1.5
Contract & Deployment	0.7
Local Policing	3.0
Total	10.0

The Support Services savings are from on-going projects and £1.1million is planned to be saved as a result of collaboration with other forces. The Corporate Services figure is a target saving expected to be achieved from this area of business, with further opportunities presenting themselves for collaboration with Sussex Police. Specialist Crime savings arise mainly from a budget review and a change in the way Intelligence and Tasking is managed, areas of policing activity which have been shown to be consistently expensive in the HMIC Value for Money Profiles. The Operations savings will come from further collaboration with Sussex Police in the area of operational dogs and the dog school, emergency and operational planning, plus changes in roads policing. The Contact & Deployment savings derive from proposed changes that are being achieved from investments in technology.

A major initiative that I have approved, which will give rise to substantial savings from the Local Policing budget, but will offer a better and more targeted policing service to Surrey residents at a local level, is the implementation of the proposals arising from the Policing In Your Neighbourhood (PIYN) review. This review based on work carried out with management consultants KPMG, examined both the demand placed upon neighbourhood policing teams and the operational response that was delivered in response to that demand. The PIYN model builds resilience into the workforce by bolstering resources from the Specialist Crime division and by utilising operational ANPR (Automatic Number Plate Recognition) information from the Operations Division. These measures will be enhanced by a move to more cross skilling of police officers, so that both Response and Neighbourhood Officers will carry an investigative workload, but will continue to offer Surrey residents a policing service grounded in Surrey's strong traditional Neighbourhood Policing ethos.

The allocation of budgets is detailed by functional unit at appendix A and by cost type at appendix B. The changes in the revenue budget from 2013/14 are shown at appendix C.

4) THE 2016/17 CAPITAL BUDGET

The Capital Budget can be funded from government grants, capital receipts and revenue contributions to capital and borrowing. Because capital schemes are managed over a longer period than one year, my proposed capital budget for 2016/17 is set out within the context of appendix D, showing the seven year capital plan, which governs the overall management of the capital programme and influences the construction of each year's capital budget.

The 2016/17 column in Appendix D outlines the proposed capital budget for next year. New approvals amount to £10.25 million, while schemes brought forward from the previous year amount to £4.6 million. After deducting estimated slippage on the programme of £3.7 million, the total capital budget to be funded for 2016/17 amounts to £11.115 million. Due to the level of planned capital receipts the panel will note that there is no requirement to enter into borrowing to support capital investment for at least the next two years and possibly for a longer period.

Because the capital programme is not managed on a one year basis, this allows for a degree of flexibility and allows me to consider the changing demands that are placed upon Surrey Police Force and allows me to be flexible in my approach to the management of capital and approve changes to the budget where I think that priorities justify such a course of action. Any approved changes that are made to the capital programme during the course of 2016/17 will be reported to the Panel.

5) RESERVES

My general reserves strategy is to maintain reserves at 3% of the gross revenue budget. The forecast level of general reserves at 1st April 2016 is estimated to amount to 5.7% of the gross revenue budget. I agreed last year with the former Chief Constable that I would approve the release of £6.4 million over the next four years, to allow the Force to invest in those activities that would bring about long term recurring savings to offset the continued cuts in central government funding and reduce the amount held in the General Reserve to the agreed figure of 3% by 2020. With the current change in the funding strategy being followed by Central Government regarding police funding, this is an area I shall continue to keep under review.

6) MEDIUM TERM FINANCIAL PLAN

The medium term financial plan which looks ahead over the next five years in terms of the expected income flows and the expected expenditure which Surrey Police Force is forecast to incur, is reviewed regularly. As Panel members will be aware, recent forecasts have been based on the expectation of further substantial real terms reductions

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in police funding until the last year of the current Parliament. The recent financial settlement for policing announced by the Chancellor in the autumn still means that Surrey Police can expect real terms reductions in the central government funding that it receives, but it was a substantially more generous settlement that had been forecast into the Medium Term Final Plan and the Force has further work to do in reviewing its savings plans to ensure that the quality of the policing service is maintained, taking account of future financial risks and examining where future funding will need to be directed into emerging priority areas, before a new Medium Term Financial Plan can be produced.

The key risks that the new plan will need to take account of will be;

- 1) The expectation that central government grants will be reduced by 1% per annum.
- 2) Pay inflation will remain at 1% for the next four years and non-pay inflation will by 2020 have risen by not more than 2%.
- 3) The central government support grant that Surrey Police receives to protect against the financial consequences of the localisation of council tax support arrangements will continue.
- 4) Previous years' Precept Compensation Grant will be transferred into the main Police Grant Formula.
- 5) The Government's proposed review of the Police Grant Formula arrangements, as a minimum will not reduce further the amount of central government grant received by Surrey Police.
- 6) That the Chancellor of the Exchequer's advice that police precept increases will continued to be used to ensure police forces do not experience any cash reductions in their overall funding.

7) SECTION 25 LOCAL GOVERNMENT ACT 2003

Under section 25 of the Local Government Act 2003, my Chief Finance Officer is required to report on the robustness of the estimates made for the purpose of the budget and precept calculations. I can report that my Chief Finance Officer has given me an assurance that the estimates used are robust as they are based on the methodology used successfully in previous years when budgets have not been exceeded.

In addition, under section 25 of the Local Government Act 2003, the Chief Finance Officer has to report on the adequacy of the financial reserves, taking account of such factors as the track record in budget and financial management and the adequate arrangement of insurance provisions to meet unplanned expenditure. I can report that my Chief Finance Officer has assured me that the balance held in reserves can be considered to be adequate given the longer term financial uncertainties that Surrey Police faces.

8) RECOMMENDATION

That the Police & Crime Panel agrees the proposed Surrey Police Council Tax Precept of £220.19p for a Band D Property for the financial year 2016/17.

Kevin Hurley
Surrey Police & Crime Commissioner

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APPENDIX A

REVENUE BUDGET 2016/17

	2015 /16 £m	2016/17 £m	Variation £m %	
Office Of Police & Crime Commissioner	2.129	2.054	(0.075)	(4%)
	2015 /16 £m	2016/17 £m	Variation £m %	
Police Force				
North Division	23.1	23.4	0.3	1%
East Division	26.4	26.7	0.4	1%
West Division	29.1	29.5	0.4	1%
Specialist Crime Local	21.9	25.7	3.7	17%
Specialist Crime	8.6	7.9	(0.6)	(7%)
Operations Local	0.8	1.6	0.8	105%
Operations	15.4	14.5	(1.0)	(6%)
Probationers	3.1	3.2	0.1	3%
Contact & Deployment	14.6	14.4	(0.2)	(1%)
Criminal Justice	10.8	11.1	0.2	2%
sub total	153.8	158.0	4.2	3%
ACPO	1.4	1.4	0.0	3%
Comms & Service Quality	4.3	3.7	(0.6)	(14%)
PSD	2.5	2.5	(0.1)	(2%)
Diversity	0.2	0.2	0.0	3%
Strategic Planning	0.2	0.2	0.0	3%
Force Improvement	1.4	2.7	1.4	99%
sub total	10.0	10.7	0.7	7%
ICT	10.7	12.4	1.7	16%
Finance & Services	13.0	12.8	(0.2)	(2%)
People Services	10.7	10.0	(0.7)	(6%)
Corporate	5.4	6.7	1.3	24%
sub total	39.8	41.9	2.1	5%
Sub-Total Force	203.6	210.6	7.0	3%
GROSS BUDGET	205.7	212.6	7.0	3%
Grants				
Home Office Police Grant	(62.5)	(62.2)	0.3	(0.5%)
Formula Funding	(29.4)	(29.2)	0.2	(0.6%)
Legacy Council Tax Grant	(9.2)	(9.2)	0.0	0.0%
Total Grants	(101.1)	(100.6)	0.5	(0.5%)
Use of Reserves	(0.7)	(3.0)	(2.3)	
Collection Fund Surplus	0.0	(1.8)	(1.8)	
NET PRECEPT REQUIREMENT	103.9	107.2	3.4	3.2%

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

APPENDIX B

REVENUE BUDGET 2016/17

	2015 /16	2016/17	Variation	
	£m	£m	£m	%
EMPLOYEE COSTS				
Police Officer Sals/Pension/NI/Allowances	104.7	111.3	6.5	6%
Police Staff Sals/Pension/NI/Allowances	68.6	66.6	(2.0)	(3%)
Training & Other Employment Cost	4.3	4.4	0.1	1%
Sub - Total	177.7	182.2	4.5	3%
PREMISES RELATED COSTS	8.0	7.9	(0.1)	(1%)
TRANSPORT & TRAVEL COSTS	5.6	5.7	0.1	1%
SUPPLIES & SERVICES	25.2	27.8	2.6	10%
INCOME	(10.7)	(10.9)	(0.1)	1%
GROSS BUDGET	205.7	212.6	7.0	3%
Grants				
Home Office Police Grant	(62.5)	(62.2)	0.3	(0.5%)
Formula Funding	(29.4)	(29.2)	0.2	(0.6%)
Localising Council Tax Support	(9.2)	(9.2)	0.0	0.0%
Total Grants	(101.1)	(100.6)	0.5	(0.5%)
Use of Reserves	(0.7)	(3.0)	(2.3)	
Collection Fund Surplus	0.0	(1.8)	(1.8)	
NET PRECEPT REQUIREMENT	103.9	107.2	3.4	3.2%

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

APPENDIX C

<u>Budget 2016/17 - Summary Causal Track</u>	
	£
2015/16 Budget	205.7
Pay inflation	1.7
Price Inflation	0.4
<u>Commitments</u>	
National Insurance uplift - single tier state pension	3.8
Regional Policing Services	0.1
HO IT Charging	0.2
Cost of Change	1.3
<u>Investments</u>	
Employee Retention	1.6
Public Protection	2.3
Local Policing Sargeants	1.1
Firearms Capability	0.8
Digital Enablement	0.6
Digital Forensics	1.5
Mobile Policing	0.8
Contact and other changes	0.7
<u>Savings</u>	
Support & Corporate Services	(2.8)
Specialist Crime	(2.0)
Operations	(1.5)
Local Policing	(3.0)
Contact & Deployment	(0.7)
2016/2017 Budget	212.6

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Appendix D

Capital Programme Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
DESCRIPTION	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Estimated Capital Schemes Brought Forward	4,600	3,700	3,100	2,500	2,200	2,100	2,100
IT Renewal & Upgrades		1,440	1,800	1,500	1,500	1,500	1,500
- Hardware Refresh	508						
- Servers & Storage	225						
- Telephony Refresh	113						
- IT Microsoft Licences	800						
- Networks and Cabling	900	900					
- DMZ Link	63						
- IT Projects		1,000	1,000	1,000	1,000	1,000	1,000
- Niche Development	124						
- Apex Application Migration	74	-	-	-	-	-	-
- Checkpoint Firewall	135	-	-	-	-	-	-
- IL4 Refresh (Joint Scheme)	60	-	-	-	-	-	-
- Mobile Data Terminals	270	-	-	-	-	-	-
- Mobile Phone Replacement	90						
- Oracle Transformation	68						
- Application Platforms	68						
Vehicle Fleet Replacement Programme	2,296	2,210	2,323	2,074	2,100	2,100	2,100
- Vehicle Equipment	325	55	55	39	40	40	40
- Vehicle Telemetry	150	-	-	-	-	-	-
Estates' Strategy							
- Divisional Estates' Strategy	692	-	-	-	-	-	-
- Estates' Strategy - Environmental	350	-	-	-	-	-	-
- Estates' Strategy - Custody Compliance	260	-	-	-	-	-	-
- Estates' Strategy - Guildford and Staines Custody	324	-	-	-	-	-	-
Other Specific Schemes	-	1,500	1,500	1,500	1,500	1,500	1,500
ACC Operations							
- ANPR	131	77	135	81	-	-	-
- ESN		1,000					
- ICCS	1,422	-	-	-	-	-	-
ACC Local Policing							
- Digital Case Files	45						
ACC Specialist Crime							
- Digital Forensics	522	-	-	100	-	-	-
ACO							
- Enterprise Resource Planning (ERP) - Joint Scheme	200	700	-	-	-	-	-
Total New Schemes	10,215	8,882	6,813	6,294	6,140	6,140	6,140
Total Proposed Programme	14,815	12,582	9,913	8,794	8,340	8,240	8,240
Estimated Scheme Slippage	-3,700	-3,100	-2,500	-2,200	-2,100	-2,100	-2,100
Amount of Capital to be Financed	11,115	9,482	7,413	6,594	6,240	6,140	6,140