

SURREY POLICE AND CRIME PANEL

U
n
d
e
r

Surrey Police & Crime Commissioner's Precept Setting Proposal for the Financial Year 2017/18

6th February 2017

S

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 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 15th February. The Panel then has to review the revised precept by 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 can only issue precept notices to the District and Borough Councils before 1st March 2017 if the Police & Crime Panel has completed its scrutiny process.

1) PRECEPT PROPOSAL

This is the first time that I have presented a formal precept proposal to the Police & Crime Panel and my proposals for the 2017/18 financial year have been drawn up in accordance with the requirements of the relevant legislation.

In arriving at my precept proposal, I have carefully balanced my duty of not imposing an unreasonable tax burden on Surrey residents, against the need to ensure that the Surrey Police Force has sufficient funding to help keep the Surrey public safe. For the financial year 2017/18, I believe that this balance is best achieved by my proposing that a precept of £224.57p for a Band D property be set, increasing by 1.99% the precept of £220.19p, that was set for the financial year 2016/17.

OFFICIAL

In making this proposal to the Panel 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 2017/18 require a referendum to be held if the proposed increase in precept is 2%, or higher than the previous year's Council Tax. I have therefore proposed a 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% for the financial year 2017/18, follows on from the Parliamentary Statement made by the Minister of State for Fire and Policing (Brandon Lewis) on 15th December 2016, which stated in relation to Police funding,

“Following the principles set out on the 4 February 2016 when publishing the final police funding settlement for 2016/17 [HCWS510], direct resource funding for each PCC, including precept, will be protected at flat cash levels compared to 2015/16, assuming that precept income is increased to the maximum amount available in both 2016/17 and 2017/18. No PCC who chooses to maximise precept in both years will face a reduction in cash funding next year compared to 2015/16.”

Panel Members will be aware that protecting police funding at a “flat cash level”, means that individual Police & Crime Commissioners still have to cope with a real terms reduction in funding generated from the need to fund staff and officer pay awards and inflationary increases on non-pay items. Given that the Chief Constable needs £1.4 million from the General Reserve to help fund this year's approved revenue budget and that he also has to successfully achieve a challenging savings programme of £5.5 million to achieve financial balance by 31st March 2018, I have come to the conclusion that proposing a 1.99% precept increase achieves the balance that I am seeking to strike, between fairness to tax payers and fairness to the Police in giving them sufficient resources to keep Surrey safe.

The statutory public consultation that I carried out with Surrey residents between 24th November and 10th January, would seem to give some support to my view, as on the question of increasing the precept by 1.99%, sixty-five percent of those canvassed expressed support for my proposal, while 28% were against and 7% did not express a view.

The question of what is the right level of precept is always a contentious one and is a matter that I shall always carefully consider throughout my term of office. I will in future years, as I have done this year, seek assurances from the Chief Constable that the Surrey Police revenue budget is set at a minimum level consistent with the successful and cost effective delivery of the strategic objectives set out in my Police & Crime Plan. In addition I shall annually examine with the Chief Constable whether, through the Force achieving increased value for money, there is any scope for reducing either the precept itself, or the rate of precept increase that has to be imposed, thereby ensuring that Surrey taxpayers pay no more than is absolutely necessary for an effective policing service.

The current public expectations about the police service mean that Chief Constables across the country have 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.

OFFICIAL

My precept proposal will provide the funding to continue to support the strategic objectives of the Police and Crime Plan and the broader force mission of pursuing offenders, protecting the vulnerable and preventing crime and disorder, as well as supporting and enabling our Police Officers and staff to be best they can, by building our workforce capability, by valuing our people and enhancing the employment proposition.

Specifically, Surrey Police with my support is growing our Public Protection capability and has created the Multi Agency Safeguarding Hub. The Force will continue to protect the public, tackle domestic abuse and pursue those who target the elderly and vulnerable in our society.

Employee retention is a significant issue for Surrey Police, especially now that our neighbouring forces are recruiting officers, meaning that some who do not live in Surrey are taking the opportunity to transfer to their 'home' force and thereby reduce travelling costs. The limited flexibility provided by the Home Office through the increased but unfunded South East Allowance has allowed us to address this to a point by investing further in our Police Officers. We are also investing in local policing by bolstering the amount of supervision and support to our Constables.

There continues to be investment in the Force's training capacity to ensure officers are equipped to deal with the growing complexity of policing and to be able to fully utilise the capability of equipment issued. It is important that Police officers are well equipped to carry out their duties more effectively and efficiently, 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.

The table below shows the Funding Sources that will be available to me in 2017/18 to fund Surrey Police in its entirety should you approve the Council Precept Tax increase that I am proposing:-

Summary of Funding Sources for 2016/17:

Grants	2016/17 £m	2017/18 £m	Difference £m
Home Office Police Grant	62.2	61.3	-0.9
Formula Funding	29.2	28.8	-0.4
Council Tax Legacy Grants	9.2	9.2	0.0
Total core government grants	100.6	99.3	-1.3
Local Funding			
Precept	107.2	110.8	3.6
Collection Fund Surplus	1.8	1.5	-0.3
Reserves	3.0	1.4	-1.6
Total Budget Funding	212.6	213.0	0.4

OFFICIAL

The table above highlights the continued reduction in the amount of Government grant received each year, the 2017/18 reduction amounting to £1.3 million. This reduction in central government funding arises primarily because of the increase (£240.2 million) in “top-slicing” that the Government has imposed on this year’s Police Grant Settlement. The amount being “top-sliced” from police forces has increased by 42% since last year to pay for the development of “Police Technology Programmes”, which includes the National Emergency Services Network (providing 4G access to police officers), the Forensic Archive, Home Office Biometrics and the National Law Enforcement Police Database. Increased funding has also been given through this top slice to HMIC, the IPCC, the College of Policing and the new GLAA (Gang Masters Labour & Abuse Authority). In addition the City of London and Metropolitan Police Forces have also been given additional funding in recognition of the national policing roles they carry out. This has also been “top-sliced” from the Police Grant Settlement. The National Crime Agency and the Regional Organised Crime Units have received top sliced funding to strengthen the resources being used to fight organised crime. A further issue that we have to deal with is that the Home Office charges police forces for use of the national police computer systems and each year increases the charges made for the use of these systems by amounts in excess of the prevailing rate of inflation.

The tax base figures and collection fund positions, which are used to calculate the amount of funding that will be raised by the proposed precept increase have been confirmed by the Borough and District Councils and both have had a positive effect on our funding position. The tax base has increased by 1.4% since last year and the Surrey Police share of the collection fund surplus amounts to £1.5 million. The following table provides the tax base & Collection Fund surplus by individual Borough and District Councils and also the amount that the proposed precept will raise if the 1.99% increase is approved.

Authority	Tax Base	Collection Fund Surplus/Deficit	Precept
		£	£
Elmbridge	63,415.00	223,583.00	14,464,689.55
Epsom and Ewell	32,324.01	122,097.00	7,381,099.93
Guildford	56,634.54	144,833.00	12,863,301.65
Mole Valley	40,257.00	7,967.00	9,048,481.49
Reigate & Banstead	59,076.00	203,700.00	13,470,397.32
Runnymede	33,613.30	0.00	7,548,538.78
Spelthorne	38,908.60	196,700.00	8,934,404.30
Surrey Heath	37,318.04	260,615.00	8,641,127.24
Tandridge	37,558.90	240,500.00	8,675,102.17
Waverley	53,936.10	64,501.00	12,176,930.98
Woking	40,521.00	0.00	9,099,800.97
Total	493,562.49	1,464,546	112,303,874.39

2) 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. This will assist members to make an informed decision on my precept proposal, which I have arrived at based on the budget that I have formulated and approved, having taken account of my Chief Constable's operational advice.

The table below tracks the main reasons why the Surrey Police Revenue Budget approved by my predecessor for the financial year 2016/17 of £210.5 million has increased to £210.9 million for 2017/18.

In formulating the budget, inflation of 1% has been allowed for pay increases and 0.75% 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 inflation may not be adequate, as uncertainty around Brexit and a falling pound may see inflation increase beyond the allowance that has been made for inflation as the year progresses and this uncertainty represents a significant risk in the ability to manage the budgetary position during 2017/18.

Main Changes in the Revenue Budget from 2016/17 to 2017/18

Surrey Police	£m
Base Budget	210.5
Inflation	2.1
Unavoidable Cost Pressures	1.8
Savings Programme Slippage From 2016/17	1.9
Temporary Savings Measures	-1.8
Cost of Change	-1.7
Employee Retention	0.6
Investments (Including Payment of South East Regional Allowance)	3.0
Savings plans	-5.5
Proposed Police Revenue Budget 2016-17	210.9
PCC Budget (Net of Victim Support Grant)	2.1
Total Budget	213.0

The Unavoidable Cost Pressures that Surrey Police is having to deal with are the implementation of the new Apprenticeship Levy, increased Business Rate charges as a result of the revaluation exercise, the financial consequences of the Bear Scotland legal case regarding holiday pay for staff working non-contractual overtime and additional contributions to the Surrey Local Government Pension Scheme following the recent Actuarial Triennial Revaluation. These additional cost pressures will be funded in 2017/18 from temporary savings measures that will be taken by Surrey Police and pay savings that are expected to accrue as a result of higher turn-over rates.

OFFICIAL

The key areas in which the Force will be investing more money during 2017/18 to meet identified policing needs are:

- 1) Increase in the South East Regional Allowance payment from £2,000 per annum to £2,500 for all qualifying police officers to help aid recruitment and retention.
- 2) Additional investment in increased training capability, to provide firstly additional probationer training to cope with the significant recruitment increase and secondly to provide training to the increasing number of officers being issued with Tasers.
- 3) Ensuring that the full year effect of the investment in providing more officers to work in Public Protection is properly accounted for and recognises the unprecedented growth in terms of both the number and the complexity of cases being brought to the attention of Surrey Police.
- 4) Investment in the Multi Agency Safeguarding Hub at Guildford Police Station thereby enhancing the public protection capability of Surrey Police and associated agencies.
- 5) Accounting for the full year effect of the impact of the Policing in Your Neighbourhood Model that commenced in April 2016.
- 6) One off funding for Operation Ravine which covers the investigation of historical cases.

Savings Plan Built Into 2017/18 Revenue Budget

Saving Category	£mill
Specialist Crime	0.6
Operations	1.1
Contact & Deployment	0.8
People Services	1.0
Finance & Services	0.6
Corporate Services	1.3
ICT	0.1
Local Policing - Surrey	1.8
Slippage	-1.8
Total	5.5

The key savings being budgeted for in 2017/18 are:

- 1) The development of a revised operating model, which will allow Surrey Police to provide a Specialist Crime service with fewer teams.
- 2) Revision of the Operations model producing savings from a greater use of multi-disciplinary team arrangements.

OFFICIAL

- 3) Collaboration with Sussex Police Force is expected to produce savings in the area of Contact & Deployment.
- 4) People Services will produce savings from a collaborated review of Learning & Development and other adjustments to their structure.
- 5) Finance & Services savings will be achieved primarily from savings in the Estates function and from capital financing arrangements.
- 6) A review of a number of Corporate Services' functions is expected to deliver further savings as a result of further collaboration with Sussex.
- 7) ICT will make savings from a rationalisation of existing applications and from a review of data centre provision.
- 8) The Local Policing (Policing in Your Neighbourhood) Review has led to there being more cross skilled officers, allowing Area Policing Teams and Neighbourhood Officers to carry an investigative workload, which has led to cost savings, while still maintaining a strong Neighbourhood Policing ethos.

The allocation of budgets is detailed by functional unit at appendix A and by cost type at appendix B. The detailed changes in the revenue budget from 2016/17 are shown at appendix C.

3) THE 2017/18 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, the capital budget for 2017/18 is set out within the context of appendix D, showing the six year capital plan, which governs the overall management of the capital programme and influences the construction of each year's capital budget.

The 2017/18 column in Appendix D outlines the proposed capital budget for next year with details shown for individual capital schemes. New approvals amount to £7 million, while schemes brought forward from the previous year amount to £4.2 million. Because of the closer management of the capital programme that is now being undertaken, it is estimated that there will be slippage in the execution of next year's Capital Programme amounting to £2.8 million, which has been reflected as an addition to the 2018/19 capital programme. This adjustment leaves £8.4 million of capital expenditure to be financed in 2017/18 and the application of the various sources of funding to finance this expenditure is shown in the second table in Appendix D. Summary figures for expenditure and funding are shown in the final table in Appendix D.

4) RESERVES

My general reserves strategy is to maintain reserves at 3% of the gross revenue budget. It is estimated that the forecast level of general reserves at 1st April 2017 will amount to 5.4%. It was agreed by my predecessor and the former Chief Constable that £6.4 million of the General Reserve would be released to the Force over a period of four years to allow investment to take place in activities that would bring about long term recurring

OFFICIAL

savings to help offset the continuing reductions in central government funding and reduce the amount held in the General Reserve to the agreed figure of 3% by 2020. Given the significant list of new investments that I have outlined earlier in this report, I am content, for the present, to continue with this policy and have authorised the release of £1.4 million from the General Reserve in 2017/18 to provide funding to support the Surrey Police revenue budget. It is however my firm intention to keep this policy under close review in the future to ensure that savings targets are not compromised by reliance on short term funding from the General Reserve.

I shall also in 2017/18 establish two new £1 million specific reserves. The first will provide funding for Surrey Police to develop an integrated estate strategy to maximise the operational and value for money benefits that can be derived from better utilisation of our land and buildings. The second reserve will comprise of a Local Innovation Fund against which the Chief Constable can submit innovative funding bids to my Office for projects that, if implemented, will drive future cost efficiencies in operational policing and maximise operational capability.

5) 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 will be subject to is reviewed regularly. The key risks that Surrey will face in the future and that need to be taken account of are;

- 1) The expectation that central government grants will be reduced by at least 1% per annum for the foreseeable future, given the remarks by the Chancellor of the Exchequer in his Autumn Statement that deficit reduction will continue beyond the life of the current Parliament. The reduction that we experienced in core government funding for 2017/18 was 1.3%.
- 2) That pay inflation will exceed 1% per annum over the planning period if non-pay inflation increases significantly beyond the current Bank of England forecasts as a result of the falling value of the £.
- 3) The Government's proposed review of the Police Grant Formula anticipated to produce a new formula for the financial year 2018/19 may reduce further the amount of central government grant received by Surrey Police.
- 4) The Minister of State's advice that police precept increases can continue to be used to ensure that PCC's do not experience any cash reductions in their overall funding may not continue over the forecasting period.
- 5) That the savings targets for 2017/18 amounting to £5.5 million and looking ahead over the forecasting period (which assumes savings of £13.9 million) will not be achieved as it becomes increasingly more difficult to identify areas of potential saving.
- 6) Increases in the tax base on which the Police Precept is calculated will continue to produce increased sums from any given level of precept increase.

6) 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.

7) RECOMMENDATION

That the Police & Crime Panel agrees the proposed Surrey Police Council Tax Precept of £224.57p for a Band D Property for the financial year 2017/18.

David Munro

Surrey Police & Crime Commissioner

Lead/Contact Officer: Ian Perkin PCC Treasurer
Telephone Number: 01483 638724
E-mail: Perkin11584@surrey.pnn.police.uk