

SURREY POLICE AND CRIME PANEL

Surrey Police & Crime Commissioner's Precept Setting Proposal
for the Financial Year 2014/15
6th February 2014

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

PRECEPT PROPOSAL

For the Financial year 2014/15 in line with the legislation, I am proposing to set a precept of £211.70 (for a Band D property) an increase of 2.00% on the 2013/14 precept of £207.55. This will increase the amount being paid on a Band D property by just 8p per week.

In proposing to set the precept at this level, I have acted on the basis that the June Statement delivered to the House of Commons by the Chancellor of the Exchequer, which confirmed that the Council Tax Lock for 2014/15 and 2015/16 would be 2%, still remains good. As no official announcement has yet been made by the Government, there is a risk that the figure, (based on press speculation) could be reduced to 1.5% or even 1%, when the official notification is eventually issued.

My recommendation, that the precept level is set at 2%, automatically means that I am not entitled to receive the 1% Council Tax Freeze Grant from the Government, which is paid to PCCs who do not increase the Band D Tax rate from the previous year. If I had accepted this grant, then a permanent and recurring reduction of £1million per annum to our income base would have resulted, equivalent to the cost of employing 23 fewer police constables on a permanent basis.

In coming to my recommendation that the precept be increased by 2%, I have carried out wide consultation with the Surrey public on my precept proposals and could not find any significant support for a policy of freezing the precept when this would inevitably mean that front line policing capacity in the County would be reduced. I have therefore not asked the Chief Constable to find further savings, above those already needed to fund the notified reductions in central government grant. However, our planned reductions have proved to be larger than the expected £3.7 million I expected, because of the additional and significant top slicing that the Home Secretary has imposed on the Police Grant Settlement to increase funding in a number of areas. These include the new College of Policing, Her Majesty's Inspectorate of Constabulary, the Independent Police Complaints Commission, the Police Innovation Fund, the Capital City Grant (helping the City of London Police carry out their international role) and the National Police Co-Ordination Centre (which assesses and coordinates resources to deal with significant national threats). Surrey's share of this unplanned top slice is £1.1 Million.

If, when the Government officially notifies me of the 2014/15 Council Tax Lock, the amount has reduced to 1.5%, it is my intention to propose that the precept be set at 1.5% and that the additional gap in funding that this would create be covered by utilising an equivalent sum from my share of the Collection Fund surpluses that are currently being declared by the Surrey District Councils. Although this proposal, if accepted, will not provide a permanent funding solution, it will close the gap for 2014/15 and will mitigate the need to ask the Chief Constable to come up with additional cost saving proposals at such short notice. I will instead be able to give the Chief Constable and her Chief Officer Group additional time to produce realistic and properly planned savings proposals that do as little damage to operational policing in Surrey as possible.

If the Council Tax Lock is reduced to 1% (which I hope would be an extremely unlikely event), I would recommend freezing the Council Tax Precept at last year's level and would take the Government's Council Tax Freeze Grant. Again, I would not ask the Chief Constable to take short term damaging action to make up the shortfall in funding that such a reduction would entail, but would utilise the Collection Fund Surplus to its fullest extent, making good the resulting financial deficit as far as possible and would fund any remaining gap by the application of funds from the General Reserve. This will again allow the Chief Constable more time to come up with proposals that keep reductions in operational policing to an absolute minimum, thereby ensuring that the progress that she is making in meeting the six "people's priorities," which I have outlined in the Police & Crime Plan and for which I publicly hold her to account in my regular webcast management meetings, is not compromised.

Summary of Funding Sources for 2014/15;

Core Grants	2013/14 £m	2014/15 £m	Difference £m
Principal Formula Grant	69.3	66.6	-2.7
Redistributed business rates	31.7	30.2	-1.5
Council tax freeze Grant 2011/12	2.5	2.5	0
Total Core Government Grants	103.5	99.3	-4.2
Other Specific Grants			
Community Safety Fund	0.7	0	-0.7
Victims Services Grant	0.0	0.4	0.4
Localising Council Tax Support	6.7	6.8	0.1
Total Funding From Government	110.9	106.5	-4.4
Local Funding			
Precept	97.4	99.8	2.4
Reserves	(0.6)	1.0	1.6
Total Budget Funding	207.7	207.3	-0.4

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THE 2014/15 BUDGETS

Although the Panel is not 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.

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Revenue Budget for 2014/15

Proposed Revenue Budget 2014-15 (excluding the Office of the PCC).

Surrey Police	£m
Base Budget 2013/14	205.7
Budget adjustments	
Inflation	2.1
Additional unavoidable costs	3.9
Investments	0
Savings plans	-6.9
Proposed Police Revenue Budget 2014-15	204.8

The table above is a summary of the changes to the police budget for 2014-15.

In formulating the budget, inflation of 1% has been added to all pay budgets while on non-pay, 2% has been added to budgets such as energy costs, where inflationary increases are inescapable. As part of the cost savings plans, no inflationary increases have been given to the generality of non-pay budgets and budget managers are being expected to manage their services within previous year's budget totals.

The additional unavoidable costs are predominantly pay and pension related. The local government pension scheme is available to police staff and is funded by employee and employer contributions. The latest actuarial assessment is that due to the increase in the valuation of the pension fund's long term liabilities, the employer's contribution rate is being increased by £3.4million on an annualised basis. This is a cost pressure facing all local government bodies who are members of a local government pension scheme and a situation many other organisations are similarly dealing with. A reserve (£2.1million) has previously been established to mitigate the risk of pension costs increasing and it is proposed to release this sum over the next two years in order to provide the Chief Constable with more time to fund this long-term commitment from collaboration savings that will be realised in the future.

The savings programme and budget reductions total £6.9m for 2014/15 (3.3% of the total budget) and reflect the efforts of the Force to meet the financial constraints during this period of austerity. The significant saving initiatives are as follows:

- Collaboration with Sussex is planned to save £0.7m derived from the Joint Transport Service, Contact Centre arrangements and the Joint Procurement Service. Further business cases are under development in respect of lead force Operations and Specialist Crime along with Support Services

collaboration.

- The CID review is planned to save £2.4m, as a result of a change to the mix of resources, both officer and staff, and from ensuring that working patterns are better aligned to service demand.
- The Custody review is estimated to deliver savings of £0.6m from a review of resourcing levels and from the opening of Salfords custody suite which will allow the mothballing of the Woking custody suite.
- The Neighbourhoods review will provide a modest saving of £0.4m in 2014-15, mainly from central roles, the number of visible officers being maintained at current levels.
- Support Services reductions of £2.1m are planned from a review of Learning and Development (£0.7m), together with ICT rationalisation savings (£0.7m), Estates savings (£0.3m), Finance savings (£0.2m), Human Resource savings (£0.1m) and Corporate Communications savings (£0.1m).
- Non staff savings of £0.4m have also been identified by the Force's business units.

There are no growth or revenue investment bids included in the 2014-15 budget.

Summary of the total budget

Proposed Net Budget Requirement 2014-15	
	£m
Police Force Budget	204.8
Office for the Police and Crime Commissioner Budget	2.5
Total Net Revenue Budget Requirement 2014-15	207.3

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.

Capital Budget for 2014/15

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 2014/15 is set out within the context of appendix D, showing the five year capital plan, which governs the overall management of the capital programme and influences the construction of each year's capital budget.

The 2014/15 column in Appendix D outlines the proposed capital budget for next year. New approvals amount to £7.918million, while schemes brought forward from the previous year amount to £3.2million. After deducting estimated slippage on the programme of £2.8 million, the total capital budget for 2014/15 amounts to £8.318

million, the financing of which is shown at the end of the column in the final table shown on Appendix D. Due to the significant level of planned capital receipts the panel will note that there is no requirement to enter into borrowing to support capital investment in the foreseeable future.

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..

RESERVES

My general reserves strategy is to maintain a balance that as a minimum does not fall below 3% of the budget. The current general reserve level has been allowed to increase to 4.8% to provide some future flexibility to meet further potential unexpected financial changes or to pump prime planned initiatives that will lead to further cost savings. The current revenue budget proposal does not require any general reserve movement apart from the possible use of reserves that may be required when the Government finally decide the Council Tax Lock percentage for 2014/15, as I have already explained in the first part of this paper.

MEDIUM TERM FINANCIAL PLAN

The financial plan is reviewed regularly, with the latest version identifying a future budget gap of £15.3m for the period up to 2018/19. The year with the greatest challenge is 2016/17, which accounts for £7.7m of this deficit.

The projection of future deficits is based on a range of assumptions, the key ones being:-

- The central grant continues to be reduced each year but by no more than 1.8%.
- Inflation for pay is 1% until 2016 then increases to 2%. Non-pay inflation stays at 2% per year.
- The Localisation of council tax support grant of £6.7m is maintained by Government.
- The 2011/12 Precept compensation grant of £2.5m is moved into main police grant in 2015/16.
- The employer national insurance contribution increase in 2016/17 of £4.4million, resulting from the introduction of the single tier state pension, is not funded by Government.
- The Council Tax Precept can be increased by 2% per annum each year, subject to approval by the Police & Crime Panel and the Government not reducing the Council Tax lock below 2%.
- The general reserves are maintained as a minimum at 3% of the budget.

With the Government currently imposing cuts on police funding without any prior warning and failing to honour their promise to provide details of the Council Tax Lock figure before precept setting proposals need to be submitted to Police & Crime Panels, accurate and sensible forward financial planning is becoming increasingly difficult to achieve. The Panel will understand that the current projection of future deficits will be adversely affected by any further unexpected funding reductions that the Government makes during the current financial planning period and also by any reductions in the Council Tax Lock limit, which will increase our projected deficit by approximately

£500,000 for every 0.5% reduction.

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.

RECOMMENDATION

That the Police & Crime Panel agree the proposed precept of £211.70p for a Band D Property on the assumption that when the Council Tax Lock is announced by Government it will be set at 2%.

Should Government set the Council Tax Lock at 1.5%, the Police & Crime Panel agrees that a revised precept proposal for a Band D Property of £ £210.66 should be set.

If the Council Tax Lock is set by Government at 1%, the Police & Crime Panel agrees with the precept proposal that the tax on a Band D Property should be frozen at the current level of £207.55p.

Kevin Hurley

Surrey Police & Crime Commissioner

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APPENDIX A

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REVENUE BUDGET 2014/15

	2013/14	2014/15	Variation	
	£m	£m	£m	%
North Surrey	23.0	22.6	(0.4)	(1.7%)
East Surrey	22.2	21.8	(0.4)	(1.8%)
West Surrey	30.2	29.7	(0.5)	(1.7%)
Operations	16.1	16.4	0.3	1.9%
Specialist Crime	50.1	50.7	0.6	1.2%
Sub Total	141.6	141.2	(0.4)	(0.3%)
Chief Officers & Corporate Communications	2.9	2.8	(0.1)	(3.4%)
Strategic Planning	0.2	0.2	0.0	0.0%
Force Improvement	0.4	0.4	0.0	0.0%
Diversity	0.2	0.2	0.0	0.0%
Service Quality	2.1	2.3	0.2	9.5%
PSD	2.4	2.4	0.0	0.0%
Sub Total	8.2	8.3	0.1	1.2%
Contact & Deployment	14.1	14.7	0.6	4.3%
Central Neighbourhoods	1.9	1.9	0.0	0.0%
Sub Total	16.0	16.6	0.6	3.7%
F&S (Including Estates)	12.7	12.2	(0.5)	(3.9%)
ICT	10.9	10.4	(0.5)	(4.6%)
HR	11.0	10.5	(0.5)	(4.5%)
Shared Business Services Centre	2.1	2.2	0.1	4.8%
Sub Total	36.7	35.3	(1.4)	(3.8%)
Central Corporate	3.3	3.4	0.1	3.0%
Sub Total	3.3	3.4	0.1	3.0%
Sub Total Force	205.8	204.8	(1.0)	(0.5%)
Office of the Police & Crime Commissioner	1.9	2.5	0.6	31.6%
GROSS BUDGET	207.7	207.3	(0.4)	(0.2%)
Grants				
Core Police Grant	(69.3)	(66.6)	2.7	3.9%
DCLG Formula Grant	(31.7)	(30.3)	1.4	4.4%
2011/12 Freeze Grant	(2.5)	(2.5)	0.0	0.0%
Victim Services Grant	0.0	(0.4)	(0.4)	
Community Safety Fund	(0.7)	0.0	0.7	100.0%
Total Grants	(104.2)	(99.8)	4.4	4.2%
Use Of Reserves	0.6	(1.0)	(1.6)	
Council Tax Support Grant	(6.7)	(6.8)	(0.1)	(1.5%)
NET PRECEPT REQUIREMENT	97.4	99.8	2.4	2.5%

APPENDIX B

REVENUE BUDGET 2014/15

	2013/14	2014/15	Variation	
	£m	£m	£m	%
EMPLOYEE COSTS				
Police Officer Sals/NI/Allowances	88.7	87.3	(1.4)	(1.6%)
Police Officer Pension	17.2	16.9	(0.3)	(1.7%)
Police Staff Sals/NI/Allowances	66.5	65.5	(1.0)	(1.5%)
Police Staff Pension	7.5	11.1	3.6	48.0%
Sub Total	179.9	180.8	0.9	0.5%
PREMISES RELATED COSTS	7.9	7.5	(0.4)	(5.1%)
SUPPLIES & SERVICES	25.6	24.9	(0.7)	(2.7%)
TRANSPORT & TRAVEL COSTS	4.9	4.7	(0.2)	(4.1%)
INCOME	(10.6)	(10.6)	0.0	0.0%
GROSS BUDGET	207.7	207.3	(0.4)	(0.2%)
Grants				
Core Police Grant	(69.3)	(66.6)	2.7	3.9%
DCLG Formula Grant	(31.7)	(30.3)	1.4	4.4%
2011/12 Freeze Grant	(2.5)	(2.5)	0.0	0.0%
Victims Services Grant	0.0	(0.4)	(0.4)	
Community Safety Fund	(0.7)	0.0	0.7	100.0%
Total Grants	(104.2)	(99.8)	4.4	4.2%
Use Of Reserves	0.6	(1.0)	(1.6)	
Council Tax Support Grant	(6.7)	(6.8)	(0.1)	(1.5%)
NET PRECEPT REQUIREMENT	97.4	99.8	2.4	2.5%

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APPENDIX C

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<u>Budget 2014/15 - Summary Causal Track</u>	
	£
2013/14 Budget	207.7
Inflation	2.1
Police staff pension fund	3.6
Other commitments	0.3
New responsibility - Victim Services	0.5
Savings Plan:	
Collaboration with Sussex	(0.7)
Custody Review	(0.6)
Crime Department Review	(2.4)
Neighbourhoods Review	(0.4)
Support Services Review	(2.1)
Other	(0.7)
2014/15 Budget	207.3

APPENDIX D

5 Year Capital Programme 2014/2015

	DESCRIPTION	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	
Renewal Schemes	IT Server / Infrastructure	310	220	1750	1,750	1,750	1,750	
	IT Desktop / Laptop	225	224					
	Network and Cabling		50					
	IT Microsoft Licence	700	800					
	IT Improvement Programme	500	670					
	Vehicle Fleet Replacement Programme	2,265	1,890	2,239	2,193	2,220	2,205	
Other Specific Schemes	Crime Intelligence System / Niche RMS	4,119						
	Support Services IT Developments	219						
	Digital Audio Interviewing	425						
	Remote Access	108						
	Mobile Data	315						
	ICAD Upgrade		600					
	Property Centralisation		65					
	Custody CCTV Upgrade		350					
	Apollo Infrastructure		185					
	Voice Recording		98					
	Learning Management System		456					
	Business Intelligence Tool		400					
	Duties Management System Upgrade		185					
	APEX Application conversion	210						
	Virtual Desktop Infrastructure	153						
	Information Architecture	350						
	Collaboration Allocation		1,500	1,500				
	Other Schemes	599		1,500	1,500	1,500	1,500	
	Estate Strategy	Generator for Business Continuity	232					
		Reigate Refurbishment	250					
Salfords Custody		4,559						
Estate Strategy			150	250				
Reigate Parking Improvement			75					
Agreed in Principal		185						
Unallocated		588						
TOTAL:		16,312	7,918	7,239	5,443	5,470	5,455	
Capital Schemes Brought Forward			3,200	2,800	2,500	2,000	1,900	
Total Proposed Programme		16,312	11,118	10,039	7,943	7,470	7,355	
Estimated Scheme Slippage		-3,200	-2,800	-2,500	-2,000	-1,900	-1,800	
Amount of Capital to be Financed		13,112	8,318	7,539	5,943	5,570	5,555	
FINANCING		2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	
Brought Forward		2,238	6,871	8,733	12,559	9,101	7,311	
Capital Grant		1,416	1,460	1,500	1,500	1,500	1,500	
Capital receipts - House Sales		5,964	1,845	1,045	985	880	1,225	
Capital receipts - Police Building sales		10,365	6,875	8,820	0	1,400	0	
Other Capital Funding		0	0	0	0	0	0	
Borrowing		0	0	0	0	0	0	
Carry Forward		-6,871	-8,733	-12,559	-9,101	-7,311	-4,481	
TOTAL:		13,112	8,318	7,539	5,943	5,570	5,555	

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