

SURREY POLICE AND CRIME PANEL**Surrey Police & Crime Commissioner's Precept Setting
Proposal for the Financial Year 2018/19
5th February 2018****1). LEGISLATIVE BACKGROUND**

Under Schedule 5 of the Police Reform and Social Responsibility Act 2011 and the Police and Crime Panel (Precepts and Chief Constable Appointments) Regulations 2012, 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 still issue it despite the Panel recommendations, 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 2018 if the Police & Crime Panel has completed its scrutiny process.

2). PRECEPT PROPOSAL

My precept recommendation for the 2018/19 financial year has been drawn up in accordance with the requirements of the relevant legislation and on the basis of the statements made by the Minister of Policing Rt Hon Nick Hurd.

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.

It has been a challenging year for policing, not least in the response to terrorism which has seen officers across the country play their part in the significant security effort to keep us

all safe. Although the Government has rightly invested more money at a national level to tackle this and other issues such as cyber-crime, local forces are continuing to see a rise in demand for their services against a backdrop of increased reporting of crime. In addition, this year we have seen the Government award an unplanned 1% rise in police pay, helping us to attract and retain good officers, and inflation has risen above 3%, putting further strain on our budgets. Whilst some of our dedicated teams are busy tackling growing demand in areas such as domestic abuse, sexual offences, online crime and child abuse, these officers, by the nature of their work, cannot provide a visible patrol presence on our streets. However, I'm also aware that more 'visible' issues such as burglary and anti-social behaviour continue to concern residents in our communities.

I believe Surrey Police provides a good service for the public but is currently running at the limit of its capabilities, putting the service under serious threat. The Force must find substantial savings over the next four years and when you add that to the recent unfunded pay award of 1% to police officers and increasing inflation – it is clear that with rising service demands, the financial strain is increasing all the time. It is my view that if we are to continue giving residents an effective police service now and in the future, a rise in the policing element of council tax is necessary and the right option for the Surrey public. The public must get value for money from their local force, of course, and we are currently working on projects to make savings in the longer term by rationalising the estate, exploring further regional collaboration, seeking better use of upgraded technology and instituting with the support of the Chief Constable an economy drive to ensure routine spending is kept to a minimum.

It is for these reasons that for the financial year 2018/19, I believe that the balance between protecting the taxpayer and providing Surrey Police with the resources to do their job is best achieved by my proposing that I increase by £12 the existing precept of £224.57, making a precept on a Band D property of £236.57, equating to a 5.3% increase on last year's precept.

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 2018/19 allow Police & Crime Commissioners to increase the precept on a Band D property by a maximum of £12 per year, without triggering the need to hold a referendum. My recommendation, fully taking advantage of the new higher maximum threshold, follows on from the Parliamentary Statement made by the Minister of State for Fire and Policing, the Rt Hon Nick Hurd MP, on 19th December 2017, which stated in relation to Police funding:

"In 2018/19, we will provide each PCC with the same amount of core Government grant funding as in 2017/18. Protecting police grant means PCCs retain the full benefit from any additional local Council Tax income. Alongside this, we are providing further flexibility to PCCs in England to increase their Band D precept by up to £12 in 2018/19 without the need to call a local referendum. This is equivalent to up to £1 per month for a typical Band D household.

These changes to referendum principles give PCCs the flexibility to make the right choices for their local area, and will enable an increase in funding to PCCs of up to around £270m next year. It means that each PCC who uses this flexibility will be able to increase their

direct resource funding by at least an estimated 1.6% (which maintains funding in real terms)."

The statutory public consultation that I carried out with Surrey residents between 22nd December and the 14th January, would seem to give some support to my view that a £12 increase on the previous year's Band D precept is justified. More than two and a half thousand responses were received, more than ever before and on the question of increasing the precept by this amount, 59% of those canvassed expressed support for my proposal, while 38% were against and 3% were undecided.

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.

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 be, by building our workforce capability, by valuing our people and enhancing the employment proposition.

The table below shows the Funding Sources that will be available to me in 2018/19 to fund Surrey Police in its entirety should you approve the Council Precept Tax increase that I am proposing:-

Summary of Funding Sources for 2018/19:

Grants	2017/18 £m	2018/19 £m	Difference £m
Home Office Police Grant	61.3	61.3	0
Formula Funding	28.8	28.8	0
Council Tax Legacy Grants	9.2	9.2	0
Total core government grants	99.3	99.3	0
Local Funding			
Precept	110.8	117.7	6.9
Collection Fund Surplus	1.5	1.5	0
Reserves	1.4	-3.9	-2.5
Total Budget Funding	213.0	214.6	1.6

It should be noted that the Home Office made "reallocations" from the National Police Funding Allocation before it was decided to freeze individual grant allocations at the

2017/18 level. This “reallocated” funding is being used to support PFI schemes (£73m), Police Technology Programme (£495m), Arm’s Length Bodies (£63m), Strengthened Response to Organised Crime (£42m), Police Transformation Fund (£170m), Police Special Grant (£93m) and Pre-Charge Bail (£4m.)

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 (except Elmbridge) and both have had a positive effect on our funding position. The tax base has increased by 0.8% since last year and the Surrey Police share of the collection fund surplus amounts to £1.465 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 £12 (5.3%) increase is approved.

Authority	Tax Base	Collection Fund Surplus/Deficit	Precept
		£	£
Elmbridge (Provisional)	64,139.00	186,260.00	15,173,363.23
Epsom and Ewell	32,658.06	169,454.00	7,725,917.25
Guildford	57,099.15	(45,034.00)	13,507,945.92
Mole Valley	40,324.00	27,872.00	9,539,448.68
Reigate & Banstead	59,780.80	334,640.01	14,142,343.86
Runnymede	33,489.60	(75,490.00)	7,922,634.67
Spelthorne	39,280.60	56,167.00	9,292,469.60
Surrey Heath	37,540.62	378,300.00	8,880,984.47
Tandridge	37,980.30	220,378.00	8,984,999.57
Waverley	54,191.00	79,380.00	12,819,964.87
Woking	41,030.00	133,750.00	9,706,467.10
Total	497,512.53	1,465,677.01	117,696,539.22

3). THE 2018/19 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 this background information. This then allows members to make an informed judgement about the reasonableness of 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.

a). Main changes from last year’s budget

The table below tracks the main reasons why the Surrey Police Revenue Budget approved by me last year has increased to £214.6 million for 2018/19. In formulating the budget, inflation of 2% has been allowed for pay increases, while only contractually committed inflation will be allowed on non-pay budgets. There is a particular risk that the provision for inflation may not be adequate, as uncertainty around Brexit and a falling pound may see general inflation (which is already running at 3%) increase further as the year progresses. This uncertainty represents a significant risk in the ability of Surrey Police to manage the budgetary position during 2018/19.

Main Changes in the Revenue Budget from 2017/18 to 2018/19

Surrey Police	£m
Base Budget	210.9
Inflation	3.9
Investments	2.7
Estate Strategy	0.3
Savings Plan	-5.3
Proposed Police Revenue Budget 2018-19	212.5
PCC Budget (Net of Victim Support Grant)	2.1
Total Budget	214.6

The Estates Strategy figure represents increased revenue spending that will accelerate over the next few years, as proposals are developed for transforming the Surrey Police Estate. It will provide the Force with modern, efficient and flexible working environments, that will reduce costs, enhance conditions for our staff and enable more agile and collaborative ways of working supported by modern technology and a culture of trust. Through this, our staff will be empowered to be the best they can be, acting with pride, professionalism, confidence and creativity to keep our residents safe. Key objectives for the programme will be to make savings through an overall reduction in the estate footprint and estate running costs, to improve staff wellbeing through provision of improved working environments and increased flexibility in how they manage their work and to improve overall performance through increasing levels of staff engagement and productivity and reduced turnover.

The key areas in which the Force will be making revenue Investments in 2018/19 to meet identified policing needs are:

- 1) Historical Case investigations through providing additional resources to help resolve protracted investigations.
- 2) Local ICT Strategy, which will be further developed by providing funding to improve the IT estate, enhancing digital policing, implementing Windows 10 and developing Digital Evidence Management.
- 3) Regional IT Developments which will see targeted investment in Niche, Data Warehousing and Identity Management.
- 4) National IT Developments will be accessed by the Force updating to Microsoft Office 365.
- 5) The South East Regional Interoperable Policing Team will receive further investment.

A few other tactical options will be employed to maintain a balanced budget during 2018/19, which will involve some investments being deferred or cancelled, the continuation of a vacancy rate, reductions in police officer overtime and potential use of the Police Office Ill Health Reserve.

b). Savings programme**Savings Plan Built Into 2018/19 Revenue Budget**

Saving Category	£mill
Specialist Crime	2.1
Operations	0.5
Contact & Deployment	0.1
People Services	0.3
Finance & Services	0.2
Corporate Services	0.4
ICT	0.1
Local Policing - Surrey	1.7
Savings Achieved Ahead of Schedule	0.3
Slippage	-0.4
Total	5.3

Even with the maximum permissible increase in the council tax precept that does not require a referendum, to balance the revenue budget a savings programme of £5.3 million must be delivered. This is necessary to allow the Surrey Police Force to not only meet the financial constraints being placed upon it, but also to maintain its capacity to meet the new crime threats in public protection; which includes domestic abuse, child sexual exploitation and vulnerable adults. In addition, the savings programme is required to help fund investment in new digital ways of working and to meet the threat emanating from an exponential rise in digital crime. The major proposals for savings in 2018/19 are:

- 1) Specialist Crime will develop a revised operating model, which will allow Surrey Police to provide a Specialist Crime service with fewer specialist teams saving £2.1 million.
- 2) Operations will also revise their operating model and make greater use of multi-disciplinary teams instead of specialist teams saving £0.5 million.
- 3) A review of the Surrey Police Front Counter Service has been conducted, which is expected to achieve savings of £0.1 million in Contact & Deployment.
- 4) People Services will undertake with Sussex Police a review of the Learning and Development services and by making other adjustments to their structure are expected to save £0.3 million.
- 5) Finance & Services savings will be derived from Estates savings and changes to the way capital financing is undertaken, which should save £0.2 million.
- 6) Corporate Services will achieve savings from carrying out a review of the Information and Service Quality functions which are expected to amount to £0.4 million.

- 7) Local Policing will achieve savings from the removal of temporary resources that were initially required to support the new Policing in Your Neighbourhood model and which are no longer required now PIYN is properly established. The amount that will be saved is expected to be £1.7 million.

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.

4). THE 2018/19 CAPITAL BUDGET

The Capital Budget can be funded from government grants, capital receipts, revenue contributions to capital and borrowing. Because capital schemes are managed over a longer period than one year, the capital budget for 2018/19 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 individual year's capital budget.

The 2018/19 column in Appendix D outlines the proposed capital budget for next year with totals given for each of the areas in which capital investments will be made. New approvals amount to £2.7 million, while schemes brought forward from the previous year amount to £7.3 million. The sources of funding for the proposed capital programme are shown in the second table in Appendix D.

5).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 2018 will amount to the target level of 3%. The Policing Minister, in agreeing that Police & Crime Commissioners could increase their precepts by a maximum of £12 without the need for a referendum, stated that Commissioners would need to demonstrate improved efficiency and deliver productivity gains as a condition of the financial settlement. To this end I have either set up or increased specific reserves for developing (i) the planned estates strategy, leading to reduced operating costs and a better environment for staff (£2.4 million), (ii) a cost of change reserve that will facilitate the one-off expenditure needed to ensure the savings plan is fully delivered (£1.5 million), and (iii) a PCC Innovation Fund (£0.5 million) that will provide funding to encourage the development of new imaginative ideas that have the potential to deliver further efficiency savings or improved productivity.

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 will be subject to is reviewed regularly. The key financial 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 frozen for 2019/2020 and will

not grow by more than 1% per annum for the foreseeable future, given the remarks by the Minister for Policing that police can expect the same financial settlement for 2019/20.

- 2) That the public sector pay restraint limit of 1% per annum is now ended and that pay awards will need to be budgeted for on the assumption of pay increasing by a minimum of at least 2% per annum over the planning period.
- 3) That the value of the pound may fall further if Brexit uncertainty persists, leading to further increases in non-pay inflation and increased demands for pay awards that match or exceed the rate of inflation.
- 4) That even with the achievement of the £5.5 million 2018/19 savings targets, Surrey Police will still need to find additional savings or sources of income amounting to circa £15 million, in order to meet the statutory duty of maintaining a balanced budget over the next four years.

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 £236.57p for a Band D Property for the financial year 2018/19.

David Munro

Surrey Police & Crime Commissioner

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REVENUE BUDGET 2018/19

	2017/18 £m	2018/19 £m	Variation £m %	
Office Of Police & Crime Commissioner	2.1	2.1	0.0	0%

	2017/18 £m	2018/19 £m	Variation £m %	
Police Force				
North Division	24.1	24.2	0.1	0%
East Division	26.8	26.9	0.1	1%
West Division	29.6	29.8	0.2	1%
Specialist Crime Local	15.0	14.8	(0.2)	(2%)
Specialist Crime	10.1	8.4	(1.7)	(16%)
Operations Local	0.7	0.7	0.0	2%
Operations	15.5	15.3	(0.2)	(1%)
Public Protection	8.8	9.0	0.2	2%
Contact & Deployment	18.1	16.8	(1.3)	(7%)
Criminal Justice	10.9	11.0	0.1	1%
sub total	159.7	157.0	(2.7)	(2%)
Chief Officers	1.7	2.2	0.5	31%
DCC	1.1	1.1	0.0	1%
PSD	2.4	2.8	0.4	15%
Corporate Communications	1.3	1.3	0.0	1%
Service Quality	3.2	2.9	(0.3)	(9%)
Change Programme	(1.1)	(1.0)	0.1	(13%)
sub total	8.6	9.4	0.8	9%
ICT	11.1	13.3	2.3	21%
Finance & Services	13.6	14.2	0.6	4%
People Services	10.1	9.7	(0.4)	(4%)
Corporate	7.8	9.0	1.2	15%
sub total	42.6	46.2	3.6	8%
Sub-Total Force	210.9	212.6	1.7	1%
GROSS BUDGET	213.0	214.6	1.7	1%

Grants				
Home Office Police Grant	(61.3)	(61.3)	0.0	0.0%
Formula Funding	(28.8)	(28.8)	0.0	0.0%
Legacy Council Tax Grant	(9.2)	(9.2)	0.0	0.0%
Total Grants	(99.3)	(99.3)	0.0	0.0%

Use of Reserves	(1.4)	3.9	5.3	
Collection Fund Surplus	(1.5)	(1.5)	0.0	

NET PRECEPT REQUIREMENT	110.8	117.7	7.0	6%
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* where figures are rounded to 1 decimal place they may not cast correctly

** precept requirement increase equates to 5.3% precept increase, 0.7% taxbase increase

REVENUE BUDGET 2018/19

	2017/18 £m	2018/19 £m	Variation £m %	
EMPLOYEE COSTS				
Police Officer Sals/Pension/NI/Allowances	108.0	104.1	(4.0)	(4%)
Police Staff Sals/Pension/NI/Allowances	67.2	68.9	1.6	2%
Training & Other Employment Cost	5.3	5.3	0.1	1%
Sub - Total	180.5	178.3	(2.3)	(1%)
PREMISES RELATED COSTS	9.4	9.6	0.2	2%
TRANSPORT & TRAVEL COSTS	4.6	4.6	0.0	1%
SUPPLIES & SERVICES	27.8	31.5	3.8	14%
INCOME	(9.3)	(9.4)	(0.1)	1%
GROSS BUDGET	213.0	214.6	1.7	1%
Grants				
Home Office Police Grant	(61.3)	(61.3)	0.0	0%
Formula Funding	(28.8)	(28.8)	0.0	0%
Localising Council Tax Support	(9.2)	(9.2)	0.0	0%
Total Grants	(99.3)	(99.3)	0.0	0%
Use of Reserves	(1.4)	3.9	5.3	
Collection Fund Surplus	(1.5)	(1.5)	0.0	
NET PRECEPT REQUIREMENT	110.8	117.7	6.9	6%

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

** precept requirement increase equates to 5.3% precept increase, 0.7% taxbase increase

Budget 2018/19 - Summary Causal Track

	£m
2017/18 Budget	213.0
Pay inflation	3.5
Price Inflation	0.4
<u>Investments</u>	
Estate Strategy	0.3
ICT Strategy National	0.4
ICT Strategy Regional	0.7
ICT Strategy Local	0.9
South East Regional Policing Team	0.2
Historical Operations	0.5
<u>Savings</u>	
Specialist Crime	(2.1)
Operations	(0.5)
Contact & Deployment	(0.1)
People Services	(0.3)
Finance & Services	(0.2)
Local Policing	(1.7)
Corporate Services	(0.4)
2018/2019 Budget	214.6

APPENDIX D

Capital Plan 2017 - 2023

Capital Programme Summary		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
DESCRIPTION		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		£m	£m	£m	£m	£m	£m
ICT Renewals		3.6	1.9	2.1	2.1	2.1	2.5
ICT New Schemes		1.0	0.9	1.5	2.0	1.8	1.5
Business Led IT Projects		5.2	0.1	1.7	0.0	0.0	0.0
Fleet Replacement and Equipment		3.3	3.3	2.5	2.5	2.3	2.5
Estate Strategy		3.4	3.0	12.2	13.0	18.0	15.2
Equipment		0.5	0.7	0.8	0.8	0.8	0.8
Total		16.9	10.0	20.9	20.3	24.9	22.4

Capital Programme Funding		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
DESCRIPTION		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
		£m	£m	£m	£m	£m	£m
Capital Income Surplus brought forward		11.2	7.3	0.0	1.0	-0.0	0.1
Revenue Contributions brought forward		0.9	0.0	0.0	0.0	0.0	0.0
Revenue Contributions Received in-year		0.0	1.5	3.0	4.0	5.0	5.0
Central Government Grant Received in-year		0.6	0.6	0.6	0.6	0.6	0.6
Other External Grants / Contributions Received in-year		0.0	0.0	0.0	0.0	0.0	0.0
Other Capital Receipts		3.5	0.3	2.1	0.7	0.2	0.1
Estate Strategy Receipts		0.0	0.0	2.1	0.0	0.0	39.0
Estate Strategy Borrowing		0.0	2.7	12.2	13.0	18.0	-25.9
Other Borrowing		0.0	1.1	0.0	0.6	0.0	3.9
Total Capital Funding Available		16.2	13.5	20.0	20.0	23.8	22.7