



## **Surrey Police Authority “Capping”: Technical Briefing & Timeline**

**On 26th June 2008** - The Local Government Minister John Healey “nominated” Surrey Police Authority for 2008/09. This involved the Department for Communities & Local Government (CLG) setting a notional net budget requirement of £189,622,000, against which future budget requirement increases would be measured. No mention was made of any other restriction that might be placed on the Authority to restrict its ability to raise income through the precept mechanism.

**Between April and October 2008** – Surrey Police Authority wrote several times to CLG asking for a meeting to discuss the basis for CLG’s decision. Request refused each time, including a comment from CLG that “It is not government policy to enter into discussion about how it collectively arrives at a decision.” On 30<sup>th</sup> October 2008, Mr Healey wrote to the Chairman of the Authority saying that the matter of capping was now closed and he did not intend to enter into any further discussions about it.

**Between June and December 2008** - Surrey Police Authority worked on developing its budget for 2009/10. The Authority applied £5,200,000 from its general reserves and achieved £3.8 million of cost savings from restructuring and productivity gains to produce a budget increase that it hoped would comply with the (as yet undisclosed) Government capping principles, measured against the notional net budget requirement set for 2008/09.

**9<sup>th</sup> December 2008** - The Local Government Minister stated that he expected the average council tax increase in England to be substantially below 5% in 2009-10. He declined to state the actual capping principles that Government would apply to local authorities, saying: “As in previous years, we intend to take decisions on capping principles after authorities have set their budgets.” In other words, although authorities have responsibility for spending billions of pounds of tax payers’ money, far from telling them what principles the Government would apply so as to enable those authorities to plan with efficiency and certainty, the Minister left authorities in a position where they had to guess exactly what principles the Government would apply *after* they had set their budgets and council tax requirements and it was too late to alter them. To confuse the issue further, the Minister also included in his letter: “No other decisions about capping in 2009-10 have been taken but it would be unwise for any authority to assume that the capping principles set in previous years will be repeated.” So the guess which authorities had to make about the capping principles to be employed had to be made without any reference to Government’s previous behaviour.

**By January 2009** – SPA budget proposals were finalised following a series of member workshops ready for publication and submission to Surrey Police Authority for approval on 9<sup>th</sup> February 2009.

**28<sup>th</sup> January 2009** - Letter arrived from Department of Communities & Local Government which stated: “Ministers have not yet determined any capping principles for 2009/10. However, if as in previous years, these include a council tax principle as

well as a budget requirement principle, any comparison between your authority's band D council tax for 2008/09 and 2009/10 will be made using the council tax equivalent of the 2008/09 notional budget requirement. In the case of your authority, the relevant figures are a notional 2008/09 budget requirement of £189,622,000 and a notional Band D council tax for that year of £184.09p". Although the Authority was well aware of the net budget requirement figure and had allowed for this in developing its budget and precept proposals, this was the first time the Authority had been given any indication that we were also to be subject to a restriction on our Council Tax Precept requirement. In any event, the notification came far too late for the Authority to take any action regarding the implied restriction, which may or may not be lawful, as it arrived only three days before the 2009/10 budget proposals had to be published for the Police Authority budget meeting.

**9<sup>th</sup> February 2009** – Budget and precept were formally set by Surrey Police Authority for 2009/10. The actual increase in the budget requirement was just 3.8%, increasing to 4.82% when measured against the Government's notional budget requirement of £189,622,000. This was within the capping limit set by Government in 2008/09; no limits had yet been set for 2009/10. Even when the increase is measured against the notional budget, the increase planned by Surrey was lower than that set by many other local authorities. The actual increase in the Council Tax Precept compared with the previous year was 4.89%, which was below the previous year's capping limit and, as it turned out later, below the Government's 5% limit which they set at the end of March.

**26<sup>th</sup> March 2009** – Minister for Local Government made a statement to the House of Commons at last confirming the capping principles that would be applied to authorities for 2009/10 -- well after budgets and precepts had been set and any changes could be made. The first requirement was that increases would be considered "excessive" if the budget requirement increase was greater than 4%; and the second was if the Band D council tax increase was more than 5%. In the Authority's view, Surrey Police Authority should not be capped because, although it set a budget requirement in excess of 4% (along with many other authorities), its precept increase was less than 5%. Interestingly, the Minister's statement made no mention, in the context of Surrey, of any restriction related to a notional precept figure. His comments related entirely to the commitment that the Minister gave to the House of Commons last year that the residents of all the authorities which were set notional budget requirements would be protected against excessive increases in 2009/10. Yet there were many authorities which had increased their budgets by a greater amount than Surrey, against whom the Minister was taking no capping action of any kind.

**26<sup>th</sup> March 2009** – Letter arrived from Department of Communities & Local Government which stated that Surrey Police Authority was being capped because its band D council tax for the financial year was more than 5% higher than the notional band D council tax first notified to us in January 2008, calculated to be a 7.07% increase. Even if this notification had been in time for the Authority to have been able to change our budget and precept proposals to accommodate this restriction, the Authority does not accept the restriction is lawful under the legislation and is challenging CLG's construction under the judicial review process. In fact, even if it were lawful to impose such a restriction, it is questionable if the Minister and their advisors really understand the relationship between the budget increases and precept increases: even if Surrey Police Authority had restricted its budget increase to the Government's 4% increase on the notional budget of £189,622,000 it would still have failed to pass the Government's precept increase test of having an increase

of below 5% , as applying the Government's own artificial notional precept construct would have produced an increase of 5.56%.

**21<sup>st</sup> April 2009** – Surrey Police Authority met with Ministers for Local Government and Policing to present its appeal against proposed capping action.

**13<sup>th</sup> May 2009** – The Minister for Local Government made a statement that rejected our appeal and confirmed that Surrey Police Authority would be “designated” for capping purposes to protect local taxpayers. This process will return £3.24 for the year, or six pence per week, to the average Band D household, at a cost of £1.2m and 50 operational posts.