

**PART ONE**

**To: Surrey Police Authority**  
**Date: 7<sup>th</sup> February 2011**  
**By: Ian Perkin, Treasurer**  
**Title: Budget and Precept 2011/12**

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**Purpose of Report:**

To ask the Authority to accept the recommendation of the Finance & Performance Panel and approve the proposed revenue budget and proposed precept for 2011/12, compiled following member involvement through the series of member workshops and Budget Sub-group meetings.

**Summary:**

The Police Authority is required to approve the budget for 2011/12 and agree the precept to be levied for the year. This report sets out the financial background to the proposed budget, summarises the budget issues and sets out the formal recommendations needed to enable the Authority to agree the budget and set the precept for the financial year 2011/12.

A number of key issues have been addressed in developing the budget for 2011/12, which has been built upon a risk based assessment that takes account of the stated objectives of Surrey Public First, the need to keep Surrey safe through the enhancement of the capability of Operation Shield, uplifting front line policing capacity by up to 200 posts and the continued development of Neighbourhood Policing.

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## Recommendations

1. That the Gross Budget for 2011/12 is set at £213.179 million and that the budget set out in Appendix A is recommended to the Police Authority for approval.
2. That the Police Authority be recommended to make and levy a precept based on the following budget requirement:

Gross Budget		£213,179,222.91
Less: Specific Grants	£5,304,668.00	
Less: Council Tax Grant	£2,451,906.00	
Less: Reserves	<u>£1,228,431.00</u>	
	<u>£8,985,005.00</u>	
Budgeted Net Expenditure		£204,194,217.91
Precept Rounding Adjustment to Balances		<u>£12,715.15</u>
Net Budget Requirement		<u>£204,206,933.06</u>
Net Budget Requirement		£204,206,933.06
Less: Total of NNDR, RSG and Police Grant Income	£105,291,968.00	
Less: Collection Fund Surpluses		<u>£501,879.58</u>
Precept Income Required		<u>£ 98,413,085.48</u>

3. That the Police Authority be recommended to agree the number of Band D equivalent properties for precepting purposes, referred as the tax base to be as follows:

NOT PROTECTIVELY MARKED

Elmbridge	62,817.00
Epsom and Ewell	31,831.87
Guildford	57,169.97
Mole Valley	40,640.00
Reigate and Banstead	58,994.00
Runnymede	33,653.00
Spelthorne	40,388.20
Surrey Heath	36,958.48
Tandridge	37,821.80
Waverley	54,652.30
Woking	40,757.30
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	495,683.92
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5. That the Police Authority be recommended to set a level of Council Tax for each category of dwelling as follows:

Tax Bands

A	£132.36
B	£154.42
C	£176.48
<b>D</b>	<b>£198.54</b>
E	£242.66
F	£286.78
G	£330.90
H	£397.08

6. That the payment by each billing authority for its area be as follows:

Elmbridge	£12,471,687.19
Epsom & Ewell	£6,319,899.47
Guildford	£11,350,525.84
Mole Valley	£8,068,665.60
Reigate and Banstead	£11,712,668.76
Runnymede	£6,681,466.62
Spelthorne	£8,018,673.23
Surrey Heath	£7,337,736.62
Tandridge	£7,509,140.17
Waverley	£10,850,667.64
Woking	£8,091,954.34
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	£98,413,085.48
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7. Such payment be made on the following dates already agreed with the billing authorities:

20-Apr-2011  
26-May-2011  
01-Jul-2011  
05-Aug-2011  
09-Sep-2011  
14-Oct-2011  
18-Nov-2011  
03-Jan-2012  
08-Feb-2012  
12-Mar-2012

## Introduction

1. Police authorities are financed by general and specific grants from the Government and by a precept on borough and district councils.
2. In the wake of the government's Comprehensive Spending Review (CSR) 2010, the amount the Authority will receive under the national police funding formula for 2011/12 has been reduced by 4.8%, the largest reduction visited on any Authority other than the City London, although overall the net budget requirement shows an increase of 0.75% on the previous year, primarily as a result of the impact of the new Council Tax Grant and the impact of inflation.
3. The precept on local councils determines the amount of council tax which the councils collect on behalf of Surrey Police Authority. The amount of the precept is set at the discretion of the Police Authority, subject to capping directions issued by the Secretary of State for Communities and Local Government. In arriving at this determination the Authority needs to balance its responsibility to provide an effective and efficient police service for Surrey, with the effect that its decisions will have on the level of council tax produced by the proposed budget.
4. The Secretary of State for Communities & Local Government stated at the time of the CSR statement, that the Government wished to work with local authorities to implement a Council Tax freeze in England in 2011/12. The practical impact of that intention is that if the Authority sets a zero precept increase for 2011/12, an entitlement to Council Tax Grant will arise equivalent to an amount equating to a 2.5% increase in precept and will continue to be paid to the Authority in each of the following three years. The proposed net revenue budget for 2011/12 of £204.207

million therefore gives rise to an increase of 0.75% on the proposed council tax precept of £98.413 million, which in turn means that taking account of the collection surpluses of £502 thousand, the Authority can set a Band D Council Tax of £198.54, a nil increase on the 2010/11 figure.

The Authority could decide to set a higher precept figure, but any increase would have to exceed 2.5% (£2,451,906) to achieve any net increase in funding and would expose the Authority to the risk that the Government might take capping action if it considered the increase to be excessive.

## **Financial Background**

5. The Authority will receive a reduction in the total formula grant (NNDR, RSG and Police Grant) of 4.8% for 2011/12 and a further reduction of 6.4% for 2012/13.

These reductions are some of the highest among the forces of England and Wales. The proposed budget relies on cost improvement and efficiency savings of £13.2 million being achieved during the financial year, which represents a substantial management and operational challenge for Surrey Police. The principal areas of activity that will give rise to these savings stem from, a review of business support arrangements (includes Senior Staff Leadership Review & Non-pay savings), changes in the structure and delivery of operational policing (includes front counter changes & Crime Management Review) and savings achieved from operational development changes (includes Work Force Modernisation & Collaboration).

In addition to finding savings to address the gap between the budget and available funding, the planned savings will provide sufficient excess to finance up to an additional 200 frontline police officers.

6. The proposed 2011/12 budget would result in a net budget requirement of £204.207 million, an increase of 0.75% compared with 2010/11. The following table shows how the proposed budget would be funded:

	£	£
Planned expenditure (net of special grants)	204,194,217.91	
Plus Precept Rounding Adjustments	<u>12,715.15</u>	
Net Budget Requirement		204,206,933.06
NNDR Income	26,947,360.00	
Revenue Support Grant	8,315,730.00	
Police grant	<u>70,028,878.00</u>	<u>105,291,968.00</u>
Gross precept		98,914,965.06
Less Collection Fund surpluses		<u>501,879.58</u>
Net precept to be levied		<u>98,413,085.48</u>

7. Council tax is expressed as an amount per band D property. The number of band D equivalent properties in Surrey notified by borough and district councils for 2011/12 is 495,683.92. This produces a council tax per band D property of £198.54 resulting in no change compared to 2010/11, which complies with the Government's recommendation for precept increases to be frozen for 2011/12.

## Principal grants

8. As part of the Comprehensive Spending Review 2010 and subsequent final settlement, a number of specific grants have now been incorporated into the main

police grant. In addition, from 2012/13 onwards, the Revenue Support Grant and NNDR Income grant will be combined. The amount of grant to be distributed under the various headings, compared with previous years, is as follows:

	2009/10	2010/11	2011/12
	£m	£m	£m
Police grant	66.132	67.964	70.029
NNDR Income	28.987	31.776	26.947
Revenue support grant	6.691	4.614	8.316
	<b>101.810</b>	<b>104.354</b>	<b>105.292</b>

## Special grants

9. In addition to these main grants, separate special grants are made available. Following notification of the final settlement in December 2010, both the Additional Rule 2 grant and Crime Fighting Fund grant have now been rolled into the principal police grant. This leaves only two separate special grants, the Neighbourhood Policing Fund grant and the Single Counter Terrorism Police Grant. In addition, for those authorities setting a precept with zero increase on 2010/11, the government announced the introduction of the Precept Compensation Grant. Details of the amounts of the main grants are shown in the table overleaf:

<b>Specific Grants</b>	2009/10	2010/11	2011/12
	£m	£m	£m
Additional Rule 2	3.576	3.576	-
Neighbourhood Policing Fund	4.329	4.446	4.446
Crime Fighting Fund	4.113	4.113	-
Counter Terrorism Police Grant	0.955	0.974*	0.859*
Precept freeze compensation grant	-	-	2.452
	12.973	13.109	7.757

\* estimated

## Budget Tables

10. The proposed budget is set out in Appendices A, B and C which present the budget in different formats.

- Appendix A shows the budget split by strands and departments.
- Appendix B shows the budget split by staff costs and non-staff related costs.
- Appendix C shows the budget changes from last year analysed by committed costs, service improvements and efficiency savings.

## Reserves and balances

11. The projected level of reserves at 31st March 2011 that would be carried forward to 2011/12 is shown overleaf, together with the previous year's balances:

	31/03/2009	31/03/2010	31/03/2011	31/03/2012
	£m	£m	£m*	£m*
General balances	11.3	6.5	7.2	7.2
<u>Earmarked reserves</u>				
Local reserves	1.0	1.1	0.4	0.0
Insurance reserve	2.0	2.1	2.1	2.1
Police pension reserve	0.5	0.8	1.0	1.0
Health Care reserve	0.0	0.3	0.3	0.3
Olympics reserve	0.3	0.3	0.3	0.3
OPR reserve	0.0	0.8	0.8	0.0
	15.1	11.9	12.1	10.9

- estimated

12. Under Section 25 of the Local Government Act 2003 the Chief Financial Officer has to report on the adequacy of the financial reserves, taking account of such factors, as the Authority's track record in budget and financial management and the adequate arrangement of insurance provisions to meet unplanned expenditure. In the light of this, in my opinion the balance in reserves can be considered to be adequate given the longer term financial uncertainties that the Authority faces.

## Future Prospects

13. In considering the budget for 2011/12 it is important to have regard to the longer term financial position of the Authority. Careful consideration should be given to the known or predictable commitments arising in the future and to the resources likely to be available to the meet those eventualities. The current economic conditions and further proposed grant reductions outlined in the CSR will ensure that the Authority continues to face an increasingly difficult financial landscape in the foreseeable future. Nevertheless, the Forces' Medium Term Financial Plan, which

covers the whole CSR review period, makes sensible assumptions about future changes in both funding and economic conditions and outlines the planned financial savings that should arise from the continuation of a imaginative and effective strategy, designed to result in the major cost improvements and efficiencies needed to balance the gap between the cost of maintaining and enhancing the police service provided to Surrey residents and the funding streams that result from council tax precept and central government funding.

## **Robustness of the Budget**

14. Under section 25 of the Local Government Act 2003 chief financial officers of authorities are required to report on the robustness of the estimates made for the purpose of the budget calculations.
  
15. The budget for 2011/12 has been prepared in accordance with the methodology used in previous years. The robustness of this methodology has been demonstrated prima facie by the success that the Authority has had in previous years in not exceeding the planned budgets and where under- spendings have been achieved these have been on a planned basis. Proposals for both growth and savings have been discussed in workshops involving Authority members and by the Budget Sub-group as well as by Authority and Police Force officers and staff. In the light of this I consider the budget to be robust and compliant with the requirements of section 25.

## Conclusion

16. That the Authority accepts the recommendation of the Finance & Performance Panel and approves the proposed Revenue Budget for the financial year 2011/12 and the setting of the proposed precept for 2011/12, by agreeing to the resolutions set out at the beginning of this report. For the purpose of these resolutions the budget requirement (i.e. the amount financed from government grants, business rates, and council tax) is net of Neighbourhood Policing Fund, Single Counter Terrorism Police Grant and Council Tax Grant.

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**Equalities Implications** – There are no equality implications arising from this report.

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### Risks

- If the budget and consequent precept to be levied are not agreed Surrey Police Authority will not have complied with the Local Government Act 1992.
- There is a risk that, if the budget agreed is not robust, Surrey Police Authority will not have complied with the Local Government Act 2003.
- If a budget is agreed that is higher than recommended, there is a risk that the Authority will be capped by the Government

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**Attachments** – Appendices A, B & C

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**REVENUE BUDGET 2011/12**

	2010/11 Revised £m	2011/12 DRAFT £m	Variation	
			£m	%
Investigation	58.4	58.6	0.2	0%
Neighbourhoods Response	23.9	28.4	4.5	19%
Tasking & Co-Ordinating	53.8	53.4	(0.4)	(1%)
	19.6	20.4	0.8	4%
sub total	<b>155.7</b>	<b>160.8</b>	<b>5.1</b>	<b>3%</b>
ACPO	4.1	4.4	0.3	7%
PSD	2.3	2.3	0.0	0%
Strategic Change	4.5	(3.6)	(8.1)	(180%)
Corp Dev	0.2	0.2	0.0	0%
Diversity	0.4	0.4	0.0	0%
F&S	13.4	13.7	0.3	2%
HR	17.2	17.9	0.7	4%
ICT	10.9	10.9	0.0	0%
sub total	<b>53.0</b>	<b>46.2</b>	<b>(6.8)</b>	<b>-13%</b>
Corporate	5.6	4.8	(0.8)	(14%)
sub total	<b>5.6</b>	<b>4.8</b>	<b>(0.8)</b>	<b>-14%</b>
<b>Sub-Total Force</b>	<b>214.3</b>	<b>211.8</b>	<b>(2.5)</b>	<b>-1%</b>
Police Authority	1.5	1.4	(0.1)	(7%)
<b>NET EXPENDITURE</b>	<b>215.8</b>	<b>213.2</b>	<b>(2.6)</b>	<b>-1%</b>
To/(from) General Bals				
<b>TOTAL BUDGET</b>	<b>215.8</b>	<b>213.2</b>	<b>(2.6)</b>	<b>-1%</b>
<b>Special Grants</b>				
Community Support Officers	(4.4)	(4.4)	0.0	0%
Single Counter Terrorism Police Grant	(1.0)	(0.9)	0.1	(10%)
Crime Fighting Fund	(4.1)	0.0	4.1	(100%)
Additional Rule 2	(3.6)	0.0	3.6	(100%)
Total Special Grants	<b>(13.1)</b>	<b>(5.3)</b>	<b>7.8</b>	<b>(60%)</b>
Use of Reserves	<b>0.0</b>	<b>(1.2)</b>	<b>(1.2)</b>	
Precept Compensation Grant	<b>0.0</b>	<b>(2.5)</b>	<b>(2.5)</b>	
<b>NET BUDGET REQUIREMENT</b>	<b>202.7</b>	<b>204.2</b>	<b>1.5</b>	<b>1%</b>

## Appendix B

**REVENUE BUDGET 2011/12**

	2010/11 Revised £m	2011/12 DRAFT £m	Variation	
			£m	%
<b>EMPLOYEE COSTS</b>				
Police Officer Sals/Pension/NI/Allowances	101.4	103.9	2.5	2%
Police Staff Sals/Pension/NI/Allowances	79.8	74.8	(5.0)	(6%)
Training & other employee costs	12.0	14.0	2.0	17%
<b>Sub - Total</b>	<b>193.2</b>	<b>192.7</b>	<b>(0.5)</b>	<b>(0%)</b>
<b>PREMISES RELATED COSTS</b>	9.4	8.8	(0.6)	(6%)
<b>SUPPLIES &amp; SERVICES</b>	25.9	26.1	0.2	1%
<b>TRANSPORT &amp; TRAVEL COSTS</b>	6.6	6.7	0.1	2%
<b>INCOME</b>	(19.3)	(21.1)	(1.8)	9%
<b>NET EXPENDITURE</b>	<b>215.8</b>	<b>213.2</b>	<b>(2.6)</b>	<b>(1%)</b>
To/(From) General Balances				
<b>TOTAL BUDGET</b>	<b>215.8</b>	<b>213.2</b>	<b>(2.6)</b>	<b>(1%)</b>
<b>Special Grants</b>				
Community Support Officers	(4.4)	(4.4)	0.0	0%
Single Counter Terrorism Police Grant	(1.0)	(0.9)	0.1	(10%)
Crime Fighting Fund	(4.1)	0.0	4.1	(100%)
Additional Rule 2	(3.6)	0.0	3.6	(100%)
<b>Total Special Grants</b>	<b>(13.1)</b>	<b>(5.3)</b>	<b>7.8</b>	<b>(60%)</b>
<b>Use of Reserves</b>	<b>0.0</b>	<b>(1.2)</b>	<b>(1.2)</b>	
Precept Compensation Grant	<b>0.0</b>	<b>(2.5)</b>	<b>(2.5)</b>	
<b>NET BUDGET REQUIREMENT</b>	<b>202.7</b>	<b>204.2</b>	<b>1.5</b>	<b>1%</b>

**Budget 2011/12 - Summary Causal Track**

	£
<b>2010/11 Budget</b>	<b>215.8</b>
<b>Committed Costs</b>	
Prior Year Adjustment	(0.7)
Inflation	3.3
Commitments including Minimum Revenue Provision	0.2
Sub Total	<b>2.8</b>
<b>Service Improvements</b>	
Front Line Policing Uplift	6.5
Change Capability	0.4
Regional Asset Recovery Team & Regional Intelligence Unit	0.5
Change in Accounting Treatment of Leases	0.2
Sub Total	<b>7.6</b>
<b>Efficiency Savings</b>	
Business Support Functions Restructure	(4.7)
Non Staff Savings	(4.2)
Estates Reconfiguration	(0.5)
Senior Officers Reduction	(0.7)
Functional Command Restructures	(0.9)
Workforce Modernisation	(1.4)
Crime Management Unit Restructure	(0.5)
Police Authority	(0.1)
Sub Total	<b>(13.0)</b>
<b>Gross Changes</b>	<b>(2.6)</b>
<b>NET EXPENDITURE</b>	<b>213.2</b>
Reserves	0.0
<b>TOTAL BUDGET</b>	<b>213.2</b>
Special Grants	(5.3)
Use of Reserves	(1.2)
Precept Compensation Grant	(2.5)
<b>NET BUDGET REQUIREMENT</b>	<b>204.2</b>