

Report of the PCC for Cleveland to the Police and Crime Panel

5th February 2013

Status: For decision

The 2013/14 Precept Proposal

1 Purpose

- 1.1 Legislation requires that I agree my budget and associated precept and basic council tax for the forthcoming year before 1st March each year. However before doing so I must notify this Panel of the precept which I propose to issue for the following year.

2 Recommendations

- 2.1 The Panel is asked to consider my proposal to increase the Police element of the Council Tax within Cleveland by 1.99%.

3 Reasons

- 3.1 The balance of the cost of the police service not paid for by central government is met by local taxpayers through a precept on their council tax. It is the responsibility of the four local billing authorities to collect this.
- 3.2 Legislation requires the precept for 2013/14 to be set before 1st March 2013 and that the first step in enabling this to happen is that I am required to inform this panel of my proposed precept by the 31st January 2013.
- 3.3 In making my proposal on the Police precept I have taken into account the following:
- The financial impact on the people of Cleveland.
 - The financial needs of the organisation as currently projected both for 2013/14 and in the future.
 - The offer of a grant from the Government if I chose to freeze the precept.
 - The limits imposed by the Government on precept increase before a referendum would be triggered in Cleveland.

- I have taken on board the advice of my Chief Finance Officer in terms of the realistic options that I have.
- I have discussed my proposals with both the Chief Constable and engaged and consulted with a wider partner base.

Offer of a Grant from the Government

3.4 The Government has offered a Grant, which will only be received in 2013-14 and 2014-15, that is the equivalent to a 1.0% precept increase, based on the 2012-13 Council Tax base, if I choose to freeze Council Tax levels at those in place for 2012-13 for the 2013-14 financial year. This grant would be for £333k in each year.

3.5 The impact of choosing to freeze the precept in 2013/14 instead of the 1.99% increase that I am proposing is outlined in the table below:

	2013/14	Change	2014/15	Change	2015/16	Change	2016/17
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Assumed Council Tax levels based on 2.0% increase per annum (before Collection Surplus/Deficits or changes in Band D numbers)	(26,627)	(533)	(27,160)	(543)	(27,703)	(554)	(28,257)
Council Tax forecast based on Precept Freeze in 2013-14 and 2% increases thereafter	(26,107)	(522)	(26,629)	(533)	(27,162)	(543)	(27,705)
Reduced level of funding	520		530		541		552
Government Grant @ 1% for 2 years	(333)		(333)				
Reduced level of funding after Grant	187		197		541		552

3.6 As can be seen from the above there is little impact in 2013-14 and 2014-15 of choosing to freeze the precept in 2013/14 versus the choice of increasing by 1.99%, after taking into account the offer of a grant. **However when the grant ceases in 2015-16 then there is likely to be around £540k per annum permanently less to spend on Policing and Crime within Cleveland. This is the equivalent of 11 FTE Police Officers or 18 PCSOs.**

3.7 Based on the current forecasts of funding that will be available to me in 2015/16 and the cost of the current expenditure plans for 2015/16 we are currently working to close a gap that is forecast at £5.2m. Further details of the forecast budget can be seen at Appendix A to this report. Choosing to freeze the precept in 2013/14 would only add to this problem.

Precept Rise of 1.99%

- 3.8 The Localism Act 2011 includes powers to introduce arrangements for council tax referendums. A referendum would be required in Cleveland if I set a precept increase that exceeds the level agreed by the House of Commons, which for 2013/14 is 2%. The results of the referendum would be binding and all costs associated with the referendum would fall to the Office of the PCC to pay for. With this in mind I have chosen not to propose a precept in excess of 2% for 2013/14.
- 3.9 The four Borough Councils have notified me of their tax bases for 2013/14 which total 134,289 Band D equivalent properties.
- 3.10 I have also taken into account the balances on each of the council's collection funds. The Police element of which totalled a surplus of £421,587 across the 4 councils.
- 3.11 The final precept calculations are set out below:

Proposed Precepts: 1.99% Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Hartlepool Borough Council	4,404,114	(101,073)	4,303,041
Middlesbrough Borough Council	5,996,570	(14,226)	5,982,344
Redcar & Cleveland Borough Council	6,495,759	(2,416)	6,493,343
Stockton on Tees Borough Council	10,152,107	(303,872)	9,848,235
Total Precept	27,048,550	(421,587)	26,626,963

- 3.12 The 'basic amount' of council tax is the rate for a Band D property. It is calculated by dividing the Council Tax Requirement by the total tax base i.e. £26,626,963 by 134,289, giving a council tax rate for Band D properties of £198.281.

3.13 The proposed council tax rate for each property band is set out below:

Impact of 1.99 % Precept Increase				
Property Band	2013/14 proposed precept	2012/13 current precept	Increase per Annum	Increase per Week
	£	£	£	£
A	132.19	129.61	2.58	0.05
B	154.22	151.21	3.01	0.06
C	176.25	172.81	3.44	0.07
D	198.28	194.41	3.87	0.07
E	242.34	237.62	4.73	0.09
F	286.41	280.82	5.59	0.11
G	330.47	324.02	6.45	0.12
H	396.56	388.82	7.74	0.15

3.14 Although Band D is set by law as the benchmark for council tax calculations, you will be aware that only a small minority of properties in Cleveland fall into Band D or above. The majority, over 80% are in Bands A-C, and in such properties households will pay less than the Band D tax.

3.15 As you will see from the previous table the impact of my proposal to increase the Police precept by 1.99% will, in the vast majority of cases, equate to an increase of 5-7p per week in a household council tax bill.

4. Conclusion

I have considered various options and various factors in deliberating on my proposal for precept in 2013/14. I have taken into account the needs for the continued delivery of high levels of Policing and Crime services within the Cleveland area, I have spoken with the Chief Constable and wider partners and believe that a precept increase of 1.99% for 2013/14 best serves the needs of the communities of Cleveland. I therefore formally propose a precept increase of 1.99% for 2013/14 and ask that this panel considers my proposal.

PCC Summary Long Term Financial Plan - Draft Position as per February 2013

APPENDIX A

	2013/14	2014/15	2015/16	2016/17
Funding	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(92,549)	(89,162)	(87,557)	(86,682)
Council Tax Precept (Assumed 2.0% increase per year)	(27,049)	(27,410)	(28,047)	(28,678)
Council Tax Freeze Grant	(800)	(800)	0	0
Council Tax Support Grant	(6,847)	(6,847)	(6,847)	(6,847)
Funding for Net Budget Requirement (NBR)	(127,245)	(124,219)	(122,451)	(122,206)
Specific Grants	(5,654)	(5,654)	(5,654)	(5,654)
Partnership Income/Fees and Charges	(2,423)	(2,472)	(2,557)	(2,557)
Community Safety Funding	(1,698)	(1,698)	(1,698)	(1,698)
Total Funding	(137,019)	(134,043)	(132,360)	(132,115)
%age Change in Funding	0.3%	-2.2%	-1.3%	-0.2%

Office of the PCC Planned Expenditure	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	590	600	600	600
Non Pay Expenditure	340	310	290	280
Total Planned Expenditure	930	910	890	880
%age Change in Expenditure	-22.6%	-2.2%	-2.2%	-1.1%

Proposed Community Safety Expenditure/Grants	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Community Safety Initiatives	1,698	1,698	1,698	1,698
Total Community Safety	1,698	1,698	1,698	1,698

Police Force Planned Expenditure	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Police Pay	72,740	71,267	72,540	74,575
Police Overtime	1,234	1,311	1,540	1,270
Police Community Support Officer Pay	4,821	4,726	4,848	4,992
Staff Pay	7,721	7,458	7,592	7,832
Non-Pay	47,334	47,648	48,428	49,623
Total Planned Expenditure	133,850	132,410	134,948	138,292
%age Change in Expenditure	-2.6%	-1.1%	1.9%	2.5%

	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
(Surplus)/Deficit	(541)	975	5,176	8,754
Planned Transfers to/(from) General Fund	0	(1,016)	0	0
Planned Transfers to/(from) Earmarked Reserves	541	41	41	41
Net (Surplus)/Deficit After Reserves	(0)	0	5,217	8,795

General Reserves	2013/14	2014/15	2015/16	2016/17
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
General Fund Balance b/f	7,025	7,025	6,009	6,009
Proposed (Use of)/Contribution to General Fund	0	(1,016)	0	0
General Fund Balance c/f	7,025	6,009	6,009	6,009

Employee Numbers (Average across each year)	2013/14	2014/15	2015/16	2016/17
	FTEs	FTEs	FTEs	FTEs
Police Officers	1,447	1,405	1,395	1,395
PCSOs	156	156	156	156
Police Staff - Police Force	217	213	211	211
Office of PCC Staff	10	10	10	10
Total	1,830	1,784	1,772	1,772