

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

5th February 2014

Status: For decision

The 2014/15 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 2.0% and in doing so increase the Band D level of the Council Tax relating to Police from £198.28 to £202.24.
- 2.2 The Panel is asked to support this proposal subject to the condition that if this proposal is subsequently found to be in excess of the Council Tax Referendum principles, which are expected to be announced on the date of the meeting, that further discussion takes place at the meeting.

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 2014/15 to be set before 1st March 2014 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 1st February 2014. Which I did by submitting this report on the 28th January 2014.
- 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 2014/15 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 a 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 wide partner base and the public.

Offer of a Grant from the Government

3.4 The Government has offered a Grant, which will only be received in 2014-15 and 2015-16, that is the equivalent to a 1.0% precept increase, based on the Council Tax base before the adjustments made in relation to the Localisation of Council Tax Support policy, if I choose to freeze Council Tax levels at those in place for 2013-14 for the 2014-15 financial year. This grant would be for £343k in each year.

3.5 The impact of choosing to freeze the precept in 2014/15 instead of the 2.0% increase that I am proposing is outlined in the table below:

	2014/15	Change	2015/16	Change	2016/17	Change	2017/18
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Assumed Council Tax levels based on 2.0% increase per annum (per Government referendum indications)	28,238	565	28,803	576	29,379	588	29,966
Council Tax forecast based on Precept Freeze in 2014/15 and 2015/16 and 2% increases thereafter	27,685	554	28,239	565	28,803	576	29,380
Reduced level of funding vs 2% annual increases	(553)		(564)		(575)		(587)
2014/15 Government Grant @ 1% for 2 years	343		343				
Reduced level of funding after Grant	(210)	0	(221)	0	(575)	0	(587)

- 3.6 As can be seen from the above the impact in 2014-15 and 2015-16 of choosing to freeze the precept in 2014/15 versus the choice of increasing by 2.0%, after taking into account the offer of a grant is just over £200k. However when the grant ceases in 2016-17 then there is likely to be around £575k per annum permanently less to spend on Policing and Crime within Cleveland. This is the equivalent of the funding to recruit 19 FTE new Police Officers or keep 19 FTE PCSOs.
- 3.7 In a letter dated the 15th January 2014 I have been informed that "Ministers have agreed that the funding for 2014-15 (including 2015-16) freeze grant should be built into the spending review baseline. This gives as much certainty as possible at this stage that the extra funding for freezing council tax will remain available." And that the "Funding for 2011-12 and 2013-14 freeze grants is now in the local government settlement total for future years"
- 3.8 The letter goes on to state that "Police and Crime Commissioners should note that funding relating to the 2011-12 and 2013-14 council tax freeze scheme will be included within police grant in 2014-15"
- 3.9 Taken literally, and depending on its implementation, the suggestion is that accepting the freeze grant in 2014-15 should mean that the £200k 'loss' of funding that freezing the grant would result in, in comparison to the option to increase by 2%, should not increase in future years.
- 3.10 It is however difficult to ensure that this is the case given the expectation that funding cuts will continue for the foreseeable future and the current policy of ensuring that each policing area receives the same percentage cut to their government funding.
- 3.11 Based on the current forecasts of funding that will be available to me in 2016/17 and the cost of the current expenditure plans for 2016/17 we are currently working to close a gap that is forecast at £6.3m. Further details of the forecast budget can be seen at Appendix A to this report. Choosing to freeze the precept in 2014/15 would only add to this problem.

Precept Rise of 2.0%

- 3.12 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 agreed level.
- 3.13 At the time of being required by legislation to submit this report no firm announcement relating to council tax principles was made. In previous years Department for Communities and Local Government Ministers have announced full details of the referendum principles for English local government alongside the provisional settlement. However, at the time of the provisional 2014/15 settlement the Local Government Minister Brandon Lewis simply reaffirmed the Chancellor's comments made at the time of the 2013

Spending Round that if a local authority seeks to raise their council tax by more than 2% in 2014/15 and 2015/16 a local referendum must be held.

- 3.14 When questioned about this at the LGA conference on 8 January 2014 Brandon Lewis commented that the referendum threshold will not be published until February when it will be announced alongside the approval of the final settlement. He added that the referendum limit was not expected to be higher than 2%.
- 3.15 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 increase in excess of 2% for 2014/15 as at the time of having to submit this report this is the only direction that has been given by the government in relation to the referendum limit.
- 3.16 Alternative Referendum Limits
As you might expect there are several rumours in relation to what the referendum limit might be, some have been discussed in the media, some indicate a higher referendum limit and others indicate a lower referendum limit.
- 3.17 Appendix B shows the impact of a 1.5% referendum limit and a 3% referendum limit for the Panels information, which may help inform discussions at the panel depending on what the referendum limit is finally set at.
- 3.18 The four Borough Councils have notified me of their tax bases for 2014/15 which total 139,624 Band D equivalent properties.
- 3.19 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 £559,179 across the 4 councils.
- 3.20 The precept calculations are set out below based on the proposed 2% increase:

Proposed Precepts: 2.00% Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Hartlepool Borough Council	4,484,909	(55,691)	4,429,218
Middlesbrough Borough Council	6,137,266	(19,910)	6,117,356
Redcar & Cleveland Borough Council	7,239,616	37,000	7,276,616
Stockton on Tees Borough Council	10,934,961	(520,578)	10,414,383
Total Precept	28,796,751	(559,179)	28,237,572

3.21 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. £28,237,572 by 139,624, giving a council tax rate for Band D properties of £202.240.

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

Impact of 2.0% increase				
Property Band	2014/15	2013/14	Increase per Annum	Increase per Week
	£	£	£	£
A	134.83	132.19	2.64	0.05
B	157.30	154.22	3.08	0.06
C	179.77	176.25	3.52	0.07
D	202.24	198.28	3.96	0.08
E	247.18	242.34	4.84	0.09
F	292.12	286.41	5.72	0.11
G	337.07	330.47	6.60	0.13
H	404.48	396.56	7.92	0.15

3.23 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.

3.24 As you will see from the previous table the impact of my proposal to increase the Police precept by 2.0% 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 2014/15. 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 2.0% for 2014/15 best serves the needs of the communities of Cleveland. I therefore formally propose a precept increase of 2.0% for 2014/15 and ask that this panel considers my proposal.

APPENDIX A

PCC Summary Long Term Financial Plan Position - Draft as at January 2014

	Actual	Actual	Forecasts		
	2013/14	2014/15	2015/16	2016/17	2017/18
Funding	£000s	£000s	£000s	£000s	£000s
Total Funding	(137,458)	(134,253)	(130,397)	(127,937)	(126,477)
%age Change in Funding	0.6%	-2.3%	-2.9%	-1.9%	-1.1%
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	930	885	855	850	850
%age Change in Expenditure	-22.6%	-4.8%	-3.4%	-0.6%	0.0%
PCC Initiatives/Victims and Witness	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	1,698	1,768	1,517	2,002	1,962
%age Change in Expenditure	n/a	4.1%	-14.2%	31.9%	-2.0%
Corporate Costs	£000s	£000s	£000s	£000s	£000s
Total Corporate Costs	9,387	9,260	9,030	9,120	9,215
%age Change in Expenditure	6.7%	-1.4%	-2.5%	1.0%	1.0%
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s
Total Planned Force Expenditure	124,402	121,500	118,500	121,765	125,545
%age Change in Expenditure	-3.3%	-2.3%	-2.5%	2.8%	3.1%
(Surplus)/Deficit	£000s	£000s	£000s	£000s	£000s
	(1,040)	(840)	(495)	5,800	11,095
Contribution to Capital Programme	0	800	455	460	465
Planned Transfers to Earmarked Reserves	1,040	40	40	40	40
Net (Surplus)/Deficit After Reserves	(0)	0	(0)	6,300	11,600
General Reserves	£000s	£000s	£000s	£000s	£000s
General Fund Balance c/f	7,025	7,025	7,025	7,025	7,025
Employee Numbers (Average per year)	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,441	1,378	1,349	1,349	1,349
PCSOs	158	145	132	132	132
Police Staff - Police Force	215	184	166	166	166
PCC/Corporate Staff	15	15	15	15	15
Assumptions					
Staff Pay Increases	1.0%	1.0%	1.0%	2.0%	2.0%
Police Pay Increases	1.0%	1.0%	1.0%	2.0%	2.0%
Precept Increases	2.0%	2.0%	2.0%	2.0%	2.0%
Government Grant Reductions (Cash Basis)		-4.8%	-5.0%	-2.5%	-2.5%

APPENDIX B

Additional Income received from a Precept increase of 3% p.a. vs 2% p.a.

	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Assumed Council Tax levels based on 3.0% increase per annum	28,514	29,369	30,251	31,158
Assumed Council Tax levels based on 2.0% increase per annum	28,238	28,803	29,379	29,966
Additional Funding	276	567	872	1,192

With a 3% increase in Precept the Band D Council Tax Police Element would increase from £198.28 to £204.22

Impact of 3.0% increase				
Property Band	2014/15	2013/14	Increase per Annum	Increase per Week
	£	£	£	£
A	136.15	132.19	3.96	0.08
B	158.84	154.22	4.62	0.09
C	181.53	176.25	5.28	0.10
D	204.22	198.28	5.94	0.11
E	249.61	242.34	7.26	0.14
F	294.99	286.41	8.58	0.16
G	340.37	330.47	9.90	0.19
H	408.45	396.56	11.88	0.23

Reduction in Income received from a Precept increase of 1.5%p.a vs 2% p.a.

	2014/15 £000s	2015/16 £000s	2016/17 £000s	2017/18 £000s
Assumed Council Tax levels based on 1.5% increase per annum	28,099	28,520	28,948	29,383
Assumed Council Tax levels based on 2.0% increase per annum	28,238	28,803	29,379	29,966
Reduction in Funding	(139)	(282)	(431)	(584)

With a 1.5% increase in Precept the Band D Council Tax Police Element would increase from £198.28 to £201.25

Impact of 1.5% increase				
Property Band	2014/15	2013/14	Increase per Annum	Increase per Week
	£	£	£	£
A	134.17	132.19	1.98	0.04
B	156.53	154.22	2.31	0.04
C	178.89	176.25	2.64	0.05
D	201.25	198.28	2.97	0.06
E	245.97	242.34	3.63	0.07
F	290.69	286.41	4.29	0.08
G	335.41	330.47	4.95	0.09
H	402.50	396.56	5.93	0.11