

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

3rd February 2015

Status: For decision

The 2015/16 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% and in doing so increase the Band D level of the Council Tax relating to Police from £202.24 to £206.26.

2.2 The Panel is asked to support this proposal.

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 2015/16 to be set before 1st March 2015 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 2015. Which I did by submitting this report on the 28th January 2015.

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 2015/16 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's representatives.

Offer of a Grant from the Government

3.4 The Government has offered a Grant, which will only be received in 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 or reduce, Council Tax levels from those in place for the 2014-15 financial year. This grant would be for £343k.

3.5 The impact of choosing to freeze the precept in 2015/16 instead of the 1.99% increase that I am proposing is outlined in the table below:

Precept Freeze in 2015/16	Forecasts			
	2015/16	2016/17	2017/18	2018/19
Funding	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Precept - Freeze in 15/16, 1.99% increase p.a. thereafter	(28,238)	(29,434)	(30,159)	(30,841)
Growth in Band D	(623)	(136)	(81)	(82)
Collection Surplus	(1,157)			
Council Tax Freeze Grant	(351)			
Total	(30,368)	(29,570)	(30,240)	(30,924)
1.99% Precept Increase in 2015/16	Forecasts			
	2015/16	2016/17	2017/18	2018/19
Funding	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Precept increase of 1.99% p.a.	(28,799)	(30,019)	(30,757)	(31,453)
Collection Surplus	(1,157)			
Growth in Band D Assumptions	(635)	(139)	(82)	(84)
Total	(30,590)	(30,158)	(30,839)	(31,537)
Additional Funding in comparison to Precept Freeze option	(222)	(587)	(600)	(613)

3.6 As can be seen from the above the impact of choosing to freeze the precept in 2015/16 versus the choice of increasing by 1.99%, after taking into account the offer of a grant is that there would be over £200k less funding available for delivering Policing and Crime services in Cleveland in 2015/16. However when the grant ceases in 2016-17 then there would be around £600k per annum permanently less to spend on Policing and Crime within Cleveland. This is the equivalent of the funding to keep 20 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 This position was re-iterated in December 2014 as part of the 2015/16 settlement process. It is important to realise that while this paper focuses on Precept, and forecasts that the Precept Grant will only be received for one year, the indication from the Government is that the Grant will then become part of the PCC's core Police Grant.
- 3.9 There is a risk therefore that by not accepting the grant that the PCC is 'turning down' around £350k of permanent government funding, however there are no guarantees that this grant will become part of Core Funding. The only Precept Grant that has ceased being paid since they were introduced, which happened prior to the commitment given about them being built into the spending review baseline, was not added to the Core Funding of those PCC's that had previously accepted this grant.
- 3.10 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, I will need to use reserves to support the current level of service provision, even after a precept increase. Not increasing the precept in 2015/16 would only add to this problem. Further details of the forecast revenue budget can be seen at Appendix A to this report. To further aid the panel in their considerations I have also attached a draft Capital Plan at Appendix B and an Overview of Earmarked Reserves at Appendix C.

Precept Rise of 1.99%

- 3.11 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.
- 3.12 At the time of the provisional 2015/16 settlement the Local Government Minister announced that if a local authority, which includes PCC's, seeks to raise their council tax **by 2% or more** in 2015/16 a local referendum must be held
- 3.13 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 of 2%, or higher, for 2015/16.
- 3.14 The four Borough Councils have notified me of their tax bases for 2015/16 which total 142,702 Band D equivalent properties.

- 3.15 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 £1,156,544 across the 4 councils.
- 3.16 The precept calculations are set out below based on the proposed 1.99% increase:

Proposed Precepts - 1.99% Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Hartlepool Borough Council	4,692,264	92,923	4,599,341
Middlesbrough Borough Council	6,483,701	123,481	6,360,220
Redcar & Cleveland Borough Council	8,072,970	370,000	7,702,970
Stockton on Tees Borough Council	11,341,335	570,150	10,771,185
Total Precept	30,590,270	1,156,554	29,433,716

- 3.17 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. £29,433,716 by 142,702, giving a council tax rate for Band D properties of £206.260.
- 3.18 The proposed council tax rate for each property band is set out below:

Impact of 1.99% increase				
Property Band	2015/16	2014/15	Increase per Annum	Increase per Week
	£	£	£	£
A	137.51	134.83	2.68	0.05
B	160.42	157.30	3.13	0.06
C	183.34	179.77	3.57	0.07
D	206.26	202.24	4.02	0.08
E	252.10	247.18	4.91	0.09
F	297.93	292.12	5.81	0.11
G	343.77	337.07	6.70	0.13
H	412.52	404.48	8.04	0.15

- 3.19 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.
- 3.20 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 2015/16. 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, I have taken into account the referendum criteria and believe that a precept increase of 1.99% for 2015/16 best serves the needs of the communities of Cleveland. I therefore formally propose a precept increase of 1.99% for 2015/16 and ask that this panel considers my proposal.