



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

4th February 2016

Status: For decision

The 2016/17 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 £206.26 to £210.36.

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 2016/17 to be set before 1st March 2016 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 2016. Which I did by submitting this report on the 27th January 2016.

3.3 In making my proposal on the Police precept I have taken into account the following:

- The Governments assumed choices that PCC's will have to make in relation to local precepts to maintain overall funding levels.
- The financial impact on the people of Cleveland.
- The financial needs of the organisation as currently projected both for 2016/17 and in the future.



The Police & Crime Commissioner for Cleveland is an accredited Living Wage Employer with the Living Wage Foundation.

- 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.

Government communications in relation to Funding and Precept

- 3.4 I received a letter from the Home Secretary and the Policing Minister in December 2015 stating that '**Total central Government resource funding to policing, including funding for counter terrorism, will be reduced by 1.3% in real terms over four years. Taking into account the scope that you have to raise local council tax, this means a flat real settlement for policing as a whole.**'
- 3.5 This is very important because it means that any policing area which decides to freeze the local policing precept will in reality have its funding cut.
- 3.6 The letter went on to say that '*You should plan on the basis that the overall referendum limit for police precept will be maintained at 2% over the Spending review period for Police and Crime Commissioners in England.*'
- 3.7 Throughout the current financial planning cycle I have presented a clear proposal to increase the precept by 1.99% per annum and therefore the proposal is in line with, not only this, but also the indications and directions that I have provided to the Force and other partners to whom I provide funding in terms of their planning assumptions.
- 3.8 Given all of the above I am proposing a 1.99% increase in the precept for 2016/17.

3.9 **Net Budget Requirement¹**

Based on a 1.99% increase in precept the Net Budget Requirement for 2016/17, in comparison to 2015/16, would be as follows:

	Actual	Forecast
	2015/16	2016/17
Funding	<u>£000s</u>	<u>£000s</u>
Government Grant	(85,170)	(84,684)
Council Tax Precept	(30,590)	(31,642)
Council Tax Freeze Grant	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)
Funding for Net Budget Requirement	(123,428)	(123,994)

- 3.10 There is a small increase in the total amount of funding available to me of £566k based on a 1.99% increase in precept. However given that there are increases to National Insurance costs of £1.6m, Pay Awards of £0.8m and other general inflation in comparison to 2015/16 then even with a precept increase there is still a need to make significant savings just to 'standstill'.
- 3.11 Should the precept increase of 1.99%, which provides additional funding of £602k, not occur then the financial challenges will increase and further savings/reductions will need to be found.
- 3.12 The four Borough Councils have notified me of their tax bases for 2016/17 which total 146,727 Band D equivalent properties. This has increased by 4,025, or 2.8% since 2015/16.

¹ This is the amount that the PCC estimates as its planned spending, after deducting any income it expects to raise from fees and charges, specific grants from the Government and any movement on reserves.

- 3.13 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 £776,422 across the 4 councils.
- 3.14 The final precept calculations are set out in the tables below based on a 1.99% increase in precept:

Proposed Precepts - 1.99% Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Hartlepool Borough Council	5,034,420	139,869	4,894,551
Middlesbrough Borough Council	6,916,663	149,592	6,767,071
Redcar & Cleveland Borough Council	8,177,425	208,000	7,969,425
Stockton on Tees Borough Council	11,513,342	278,961	11,234,381
Total Precept	31,641,851	776,422	30,865,429

- 3.15 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. £30,865,429 by 146,727, giving a council tax rate for Band D properties of £210.360.
- 3.16 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.
- 3.17 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.
- 3.18 Based on the current forecasts of funding that will be available to me in 2016/17 and in the following 3 years, in comparison to the projected service expenditure for those same years, I expect to use around £5.5m from reserves to support the financial plans, combined with the proposed precept increase to set out a 4 year balanced financial plan. This financial plan is based on the forecast needs of the organisation, supported by sustainable staffing structures.
- 3.19 Not increasing the precept in 2016/17 would significantly undermine these plans. 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.

4. Conclusion

I have considered various options and various factors in deliberating on my proposal for precept in 2016/17. 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 2016/17 best serves the needs of the communities of Cleveland. I therefore formally propose a precept increase of 1.99% for 2016/17 and ask that this panel considers my proposal.

