



## Police & Crime Commissioner for Cleveland

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

**4<sup>th</sup> February 2020**

**Status: For decision**

### The 2020/21 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 1<sup>st</sup> 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 set the Band D Police Element of the Council Tax within Cleveland for 2020/21 at £260.54. This is an increase of £10, or 3.99% over the 2019/20 level.
- 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. In Cleveland this will equate to about 27.5% of the overall income that I will receive in 2020/21. It is the responsibility of the four local billing authorities to collect this.
- 3.2 Legislation requires the precept for 2020/21 to be set before 1<sup>st</sup> March 2020 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 1<sup>st</sup> February 2020. Which I did by submitting this report prior to that date.

- 3.3 In making my proposal on the Police precept I have taken into account the following:
- The views of the public of Cleveland
  - The financial impact on the people of Cleveland.
  - The financial needs of the organisation as currently projected both for 2020/21 and in the future.
  - The limits imposed by the Government on a precept increase before a referendum would be triggered in Cleveland.
  - I have discussed my proposals with both the Chief Constable and engaged and consulted with the public on the options available to me.
- 3.4 Police Funding Settlement 2020/21
- 3.5 The 2020-21 Police Finance Settlement was announced on 22 January in a written statement by the Policing Minister, Kit Malthouse.
- 3.6 Full details of the Settlement can be found on the Home Office gov.uk pages.
- 3.7 Publication of the Police Finance Settlement was delayed due to the December 2019 general election, with Home Office ministers opting to go straight to a final settlement in the new year. This decision meant that there was no provisional settlement or consultation over the Christmas period.
- 3.8 Prior to the 2020-21 settlement publication policing was expecting an additional £750m for recruitment of 6,000 officers (towards the 20,000 total). Force allocations of officer numbers had already been published and had been calculated pro-rata to core grant. In return for this additional money the Treasury had asked the Home Office to find £120m of savings from within their budget.
- 3.9 As there was no Provisional Police Settlement provided by the Government in relation to 2020/21, with the first indication of the Police Settlement for 2020/21 given on the 22<sup>nd</sup> January 2020 – this provided the PCC with just over 1 week to propose a precept to the Police and Crime Panel, in line the statutory requirements to do so, and almost no time to plan a budget, consult with the public and ensure that all of the financial plans align with the operational plans of the Force.

### 3.10 Headlines

The Government announced that “We are giving police forces £700 million for the recruitment of 6,000 additional officers by the end of March 2021, which represents an increase of almost 10% of the core grant funding provided last year. Assuming full take up of precept flexibility, overall funding for Police and Crime Commissioners (PCCs) will increase by £915 million to £13.1 billion next year.”

### 3.11 The main points within the settlement were as follows:

- £50m of the £750m retained centrally to support recruitment of officers
- Of the remaining £700m - £532m will be provide via un-ringfenced core grant, with the remaining £168m ring-fenced for successfully meeting recruitment targets.
- No other inflationary increases in core grant
- Resulting in a 7.5% increase in core funding
- £92m (9%) increase in reallocations to over £1.1bn in 2020-21
- Flat cash pension grant allocations compared to 2019-20
- Reduction of 74% to capital grant funding to PCCs
- Ending of the Police Transformation Fund

- **Precept flexibility of up to £10** for all PCCs (or equivalents) in 2020-21.

### 3.12 What is expected in return for this Flexibility and improved funding position?

The Minister’s Statement goes on to say that, in return for the additional £1.1bn invested in policing the Home Office expect:

- Forces to recruit the additional 6,000 officers by the end of March 2021
- A further planned £30m savings from procurement in 2020-21
- Continued improvements in digital, data and technology solutions to maximise the benefits of mobile working.
- Continue to pursue best values from the investment in police technology. The Home Office will work with the sector in the coming year to draw up a detailed plan which will be overseen by the, ministerially-chaired, Strategic Change and Investment Board (SCIB)

### 3.13 What does this mean for Cleveland in 2020/21 in terms of Funding?

- An increase in Police Grant of £6,380k or 7.5%
- Up to £2,015k from the ring-fenced grant for the officer uplift – linked to the recruitment of 72 FTE Police Officers by the end of March 2021
- Police Pension Grant remains at £1,324k
- A reduction of £388k or 74% in Capital Grant

- 3.14 Based on the increase in precept being proposed then the overall impact on the Core funding for the organisation is set to increase by 7.9% as set out in the table below:

<b>Overall Government and Local Revenue Funding</b>				
	<b>2020/21</b>	<b>2019/20</b>	<b>(Increase)/Reduction</b>	<b>Year on Year Change</b>
	£000s	£000s	£000s	%age
<b>Government Funding</b>				
Police Grant	(50,148)	(46,497)	(3,650)	7.9%
RSG/National Non Domestic Rate	(41,486)	(38,756)	(2,730)	7.0%
Council Tax Freeze Grant	(800)	(800)	0	0.0%
Council Tax Support Grant	(6,868)	(6,868)	0	0.0%
Police Pensions Grant	(1,324)	(1,324)	0	0.0%
Office Uplift Grant	(2,015)	0	(2,015)	
<b>Total Government Funding</b>	<b>(102,641)</b>	<b>(94,245)</b>	<b>(8,395)</b>	<b>8.9%</b>
<b>Impact of a £10 increase in Band D Precept - 3.99% increase</b>				
Net Surplus on Collection Funds	(170)	(349)	180	
Council Tax Requirement	(40,675)	(38,435)	(2,240)	
<b>Total Local Funding</b>	<b>(40,845)</b>	<b>(38,784)</b>	<b>(2,060)</b>	<b>5.3%</b>
<b>Total Government + Local Funding</b>	<b>(143,485)</b>	<b>(133,030)</b>	<b>(10,456)</b>	<b>7.9%</b>

- 3.15 How does Cleveland compare to the National Picture

The forecast average increase in Revenue funding across England and Wales is, subject to all areas experiencing a 1.33% increase in tax base, and increasing their precept by £10, 7.84%.

- 3.16 Cleveland has seen an increase of 7.86% and therefore is slightly above the average level of increase.
- 3.17 The highest increase in total revenue funding, as a result of this settlement, within the country, excluding the City of London Police, is expected to be in Northumbria at 9.26%, with lowest expected to be 6.79% in Surrey. These increase assume that both areas increase the precept by £10 and that the tax base in both areas have increased by 1.33%.

- 3.18 Government Funding for 2021/22 and beyond
- 3.19 The funding position for 2021/22 will be set out and determined as part of the Spending Review that will be undertaken in 2020.
- 3.20 It is important however to recognise that as part of the written ministerial statement the government stated the following:
- 3.21 The Government has committed £750 million to enable the recruitment of 6,000 additional officers. To manage the delivery of this uplift, we are ring-fencing £168 million which will be paid to forces in line with their progress in recruiting the 6,000 additional officers by March 2021, **and making the relevant infrastructure improvements needed to recruit the 20,000 additional officers by March 2023**. Funding will be released quarterly and in arrears subject to evidence on their progress
- 3.22 It is possible therefore that future settlements won't be on a similar scale to the current one and that all enabling and infrastructure cost, so estates, IT and fleet, to support the full 20,000 National Uplift may, from the Governments perspective, have already been included in this settlement.
- 3.23 There were no references within the settlement to the Funding Formula and any review of this.
- 3.24 Top-slices/Reallocations totalling £1,121m have been announced for 2020/21. This is £92m, or 9% higher than 2018/19. The areas this funding will now be spent on, instead of being allocated to PCC's is as follows:

Police Funding	2017/18 (£m)	2018/19 (£m)	2019-20 (£m)	2020-21 (£m)
<b>o/w Reallocations and adjustments</b>	<b>812</b>	<b>945</b>	<b>1,029</b>	<b>1,120.9</b>
PFI	73	73	73	72.8
Police technology programmes	417	495	495	498.4
Arm's length bodies	54	63	63	73.1
Police Uplift Programme				16.5
National Operational Policing Units (including football policing and wildlife crime)				2.9
Top-ups to NCA and ROCUs	-	-	56	56.8
Strengthening the response to Organised Crime	28	42	90	140
Counter Terrorism				32.4
Police transformation fund	175	175	175	
National Capability Programmes				47.0
Forensics				28.6
Special Grant	50	93	73	80.9
Pre-charge bail	15	4	4	2.0
Serious Violence	-	-	-	38.9
PRUM (Transition from EU Systems)	-	-	-	1.8
HO STAR (Science Technology & Research)	-	-	-	8.0
Blue Light Commercial	-	-	-	3.7
Police Now				7.0
Safer Streets Fund				10.0

- 3.25 Of the £80.9m earmarked for special grant, £26.3m is understood to be reserved for costs associated with Hillsborough, leaving £54.6m for special grant. A reduction of £18.4m on the previous year, which had been higher to accommodate the Commonwealth Heads of Government meeting.
- 3.26 The allocations for force Serious Violence Surge Funding are expected to be released separately.
- 3.27 Police Transformation Fund (PTF)
- 3.28 The announcement confirmed that the PTF has ended. Multi-year projects that were being funded from the PTF (estimated to be approximately £60m) will be funded from other reallocation "pots" depending on where they best fit.
- 3.29 Pensions Grant
- 3.30 Pensions Grant allocations remain unchanged from those in 2019-20. They have not been updated to reflect the new forecasts nor inflation.
- 3.31 Council Tax Legacy Grant
- 3.32 The Council Tax Legacy Grants relating to Council Tax Freeze grants from 2011-12, 2013-14, 2014-15 and 2015-16 as well as Local Council Tax Support (LCTS) funding remains separately identifiable in 2020-21. These have again remained flat cash settlements and therefore take no account of any changes for inflation or local need since they were awarded.
- 3.33 National and International Capital City Grant (NICC)
- 3.34 In 2020-21 the NICC grant for the City of London and MOPAC (which used to be referred to as the Met special Payment) have remained frozen in cash terms at £4,834,086 and £185,339,439 respectively.
- 3.35 Capital Funding
- 3.36 Total Police Capital Grants are now worth £76m but only £12.3m will be allocated locally – compared to £46.9m in 2019-20 (a 74% reduction). The Ministerial Statement refers to this as "rebalancing" adding that the PCCs are able to spend their revenue income flexibly.
- 3.37 This means that the Total Capital Grant for Policing of Cleveland is only £138k, a cut of £388k from 2019/20, which when compared to a Capital Programme of around £5m per year means there is a significant need to use Revenue Funding to fund the Capital Programme.
- 3.38 Counter Terrorism
- 3.39 A total of £960m for Counter Terrorism policing had already been announced for 2020-21 – PCCs will be notified privately of their individual allocations.

3.40 Ministry of Justice Grants

3.41 PCCs were notified of their 2020-21 allocations for commissioning of victims' funding in a letter dated 16 January 2020. Allocations include a 1.84% inflationary increase and will continue to be distributed according to the 2018 population estimates. Cleveland will received £664k in 2020/21 which is £10k higher than the previous year.

3.42 The letter also indicates that those PCCs who can demonstrate a need to recruit Independent Sexual Violence Advisors should complete an expression of interest form to obtain a share of the £1m which was announced in September. Plans are being developed to bid into this fund.

3.43 LTFP Assumptions

When the 2019/20 budget was set in February 2019 the forecasts were underpinned by the following assumptions:

- Pay Awards: 2% increase p.a
- Precept: Increases of:
  - 2019/20 - £24 or 10.59%
  - 2020/21 - £12 or 4.8%
  - 2021/22 - £5.23 or 1.99%
  - 2022/23 - £5.33 or 1.99%
- Tax Base increases 1.0% per annum, Collection Surplus £250k p.a
- Government Grants: Frozen until 2020/21 and the increases of 2% thereafter
- Impact of Funding Formula review – Nil

3.44 In line with good planning our assumptions remain under review and are updated with the best information available and it is expected that the LTFP for 2020/21 and beyond will assume the following:

- Pay Awards: 2.5% increase p.a
- Precept: Increases of:
  - 2020/21 - £10 or 3.99%
  - 2021/22 - £5.19 or 1.99%
  - 2022/23 - £5.29 or 1.99%
  - 2023/24 - £5.39 or 1.99%
- Tax Base increases 1.0% per annum, Collection Surplus £180k p.a
- Government Grants: Increases of 3% from 2021/22 onwards
- Impact of Funding Formula review – Nil

3.45 Based on these revised assumptions, and the information received and forecast around other areas of funding, then the entire funding expected to be available to me for the next 4 years, in comparison to 2019/20, is as follows:

-	<b>Actual</b>	<b>Forecast</b>			
	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Funding</b>	£000s	£000s	£000s	£000s	£000s
Government Grant	(85,253)	(91,634)	(94,833)	(98,309)	(100,771)
Council Tax Precept	(38,784)	(40,845)	(42,070)	(43,321)	(44,631)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)
<b>Funding for Net Budget Requirement</b>	<b>(131,706)</b>	<b>(140,146)</b>	<b>(144,571)</b>	<b>(149,299)</b>	<b>(153,071)</b>
%age change in Net Budget Requirement	4.7%	6.4%	3.2%	3.3%	2.5%
Specific Grants	(5,880)	(7,849)	(10,605)	(12,718)	(12,891)
Witness and Victims Funding	(1,411)	(664)	(674)	(684)	(694)
Partnership Income/Fees and Charges	(2,893)	(3,316)	(3,390)	(3,465)	(3,415)
<b>Total Core Funding</b>	<b>(141,890)</b>	<b>(151,975)</b>	<b>(159,240)</b>	<b>(166,165)</b>	<b>(170,070)</b>
%age change in Total Core Funding	5.4%	7.1%	4.8%	4.3%	2.3%
Special Grant	(3,475)	(3,500)	(3,500)	0	0
<b>Total Overall Funding</b>	<b>(145,365)</b>	<b>(155,475)</b>	<b>(162,740)</b>	<b>(166,165)</b>	<b>(170,070)</b>
<b>NBR Forecast - February 2019</b>	<b>(131,706)</b>	<b>(133,850)</b>	<b>(136,770)</b>	<b>(139,766)</b>	<b>(143,260)</b>
<b>Total Core Funding Forecast - Feb 2019</b>	<b>(141,890)</b>	<b>(144,195)</b>	<b>(146,210)</b>	<b>(149,270)</b>	<b>(153,000)</b>
<b>Changes to NBR Funding Forecast</b>		<b>(6,297)</b>	<b>(7,801)</b>	<b>(9,533)</b>	<b>(9,811)</b>
<b>Changes to Total Funding Forecast</b>		<b>(7,780)</b>	<b>(13,030)</b>	<b>(16,895)</b>	<b>(17,070)</b>

3.46 As a result of the Government Grant settlements being significantly better than expected, and the Governments policy to significantly increase, and fund, the number of Police Officers across the country, then the overall funding available to the PCC is significantly higher than projected in February 2019 by nearly £7.8m.

3.47 This therefore provides a significant opportunity to invest in Policing within 2020/21 and beyond, providing that the Government continue to provide PCC's with sufficient funding, to not only increase Police Officer numbers but also the additional funding required to enable this to happen and deal with the increases in work that more Officers will generate in other parts of the Force.



#### 4 **Financial Impact of a £10 increase**

##### 4.1 Precept Rise of £10

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. The Ministry for Housing, Communities and Local Government (MHCLG) published the draft council tax referendum principles alongside the provisional Local Government settlement in December. These principles did not include any reference to PCCs. It has since been outlined, as part of the Police Funding Settlement to allow PCCs to increase Band D bills by as much as £10, although in Wales there remains no referendum principles. The MHCLG have yet to publish the final version of the Council Tax Principles for 2020/21.

4.2 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 increase of more than £10 for 2020/21.

##### 4.3 Tax Base Information and Precept Calculations

The four local Councils have notified me of their tax bases for 2020/21 which total 156,117.5 Band D equivalent properties. This is an increase of 2,709 Band D equivalent properties from 2019/20. This 1.77% increase in the underlying Tax Base within Cleveland, has provided an additional £680k of recurring funding to support Policing and Crime services.

4.4 I have also taken into account the balances on each of the council's collection funds in 2019/20, of which a proportion will be paid to me in 2019/20. This is non-recurring funding and the 'Police element' in 2019/20 totalled a surplus of £170k across the 4 councils, this is the lowest that it has been in over 10 years and is perhaps indicative of the financial challenges being faced by the residents of Cleveland.

4.5 The precept calculations are set out below based on the proposed £10 increase:

<b>Proposed Precepts - £10 or 3.99% increase</b>			
	<b>Adjusted Precept</b>	<b>Collection Fund Balance</b>	<b>Council Tax Requirement</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Hartlepool Borough Council	6,462,215	(20,541)	6,482,756
Middlesbrough Borough Council	9,012,887	71,415	8,941,472
Redcar & Cleveland Borough Council	10,427,464	47,472	10,379,992
Stockton on Tees Borough Council	14,941,954	71,321	14,870,633
<b>Total Precept</b>	<b>40,844,520</b>	<b>169,667</b>	<b>40,674,853</b>

4.6 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. £40,674,853 by 156,117.5, giving a council tax rate for Band D properties of £260.54

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

<b>Council Tax</b>				
	<b>£10 or 3.99% increase</b>			
Property Band	2020/21	2019/20	Increase per Annum	Increase per Week
	£	£	£	£
A	173.69	167.03	6.67	0.13
B	202.64	194.86	7.78	0.15
C	231.59	222.70	8.89	0.17
D	260.54	250.54	10.00	0.19
E	318.44	306.22	12.22	0.23
F	376.34	361.89	14.44	0.28
G	434.23	417.57	16.67	0.32
H	521.08	501.08	20.00	0.38

4.8 As you will see from the table above the impact of my proposal to increase the Police precept by £10 will increase a household council tax bill by 19 pence per week for a Band D property.

4.9 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, around 80%, are in Bands A-C, and in such properties households will pay less than the Band D tax.

4.10 The impact of my proposal to increase the Police precept by £10 for a Band D property will, in the vast majority of cases, equate to an increase of 13-17p per week in a household council tax bill.

## **5. Consultation with the Public**

5.1 Given the late publication of the funding settlement and the precept limits for policing PCC's have had very little time to undertake consultation with the public around this vitally important area. The PCC has however undertaken a survey via the PCC website to inform the precept proposal.

5.2 This consultation was based on the following background information:

*Yesterday (22<sup>nd</sup> January) the government announced their financial settlement for policing. Combined with a small precept increase, this government funding will allow Cleveland Police to recruitment an additional 127 officers over the next year.*

*Mr Coppinger is recommending an increase of £10 per year for a Band D property – an increase of 3.99% - to allow the impact of this investment to be realised.*

*Police and Crime Commissioner Barry Coppinger said: "I have campaigned for a reversal to the cuts to policing in Cleveland for a number of years, so I welcome news that an investment is being made.*

*"The priority over the next few months is to ensure 2020 marks a turning point for Cleveland Police and to make sure they implement rapid improvements so residents get the policing service they need.*

*"In the current financial climate it is simply not an option to maintain the previous level of precept, if we want to see Cleveland Police recruit extra officers and make the significant improvements they need to.*

*"I've been encouraged by the green shoots of progress the Force has started to make, including the launch of a new Vulnerability Strategy and the recruitment of new senior leaders, but there still is a long way to go.*

*"Failing to increase the precept at this crucial moment would result in cuts to services and the progress we have seen in recent months by the Force being set back.*

*"While it is never a decision I take lightly, a precept increase will allow Cleveland Police to maintain its current momentum and become a police service the people of Cleveland can be proud of."*

## **5.3 Consultation Results**

The consultation ran from the 23<sup>rd</sup> January until the 31<sup>st</sup> January and 368 people completed the survey (in comparison to 1,085 last year, which included the telephone survey, however is in line with the year before last of 284 respondents). Unfortunately the timeframes of the Government providing the funding levels and precept guidance meant that the period of the consultation was significantly shorter than last year and also there wasn't the time to undertake a representative telephone survey.

- 5.4 Question 1 was Do you agree with the Commissioner's plan to increase the policing precept by 3.99%?
- Yes >> I would like to see the Chief Constable make significant improvements to Cleveland Police.
  - No >> I understand this means Cleveland Police will have to make cuts to services and the Force's progress will be set back.
- 5.5 Of the 368 who completed the survey 63.9% supported the proposed 3.99% increase in precept and would like to see the Chief Constable make significant improvements to Cleveland Police whereas 36.1% disagreed with the proposed increase.
- 5.6 Question 2 asked: What are your priorities for Cleveland Police in the coming year?
- Improving standards, ethics and public confidence in Cleveland Police
  - Addressing the needs of the most vulnerable, including tackling domestic abuse
  - Improving equality and diversity
  - Tackling drugs and drug dealers
  - Neighbourhood policing
  - Roads policing
  - Victim care and support
  - Tackling anti-social behaviour
  - Rural crime
- 5.7 Based on the 367 who completed this question the top 3 priorities they identified for Cleveland Police for the coming year were as follows:
- Neighbourhood policing (71%)
  - Anti-social behaviour (65%)
  - Drugs and drug dealing (60%)
- 5.8 Questions 3 to 6 of the survey asked for information about where the individual lived within Cleveland, their ethnicity, gender and age.
- 5.9 Further details of the precept consultation results are included at Appendix C.
- 5.10 In addition to the consultation with the public I have held briefing session with each of 4 individual local authorities.

## **6 Conclusion**

- 6.1 I have considered various options and various factors in deliberating on my proposal for precept in 2020/21. I have taken into account the needs for the continued delivery of Policing and Crime services within Cleveland. I have spoken with the Chief Constable and have consulted with the public. Based on these views and the financial needs of the organisation over the medium term I formally propose a precept increase of £10 on a Band D property for 2020/21 and ask that this panel considers my proposal.
- 6.2 This option is supported by nearly 64% of people who responded to my consultation on the proposed increase. This option should provide sufficient funding to underpin the financial needs of the organisation for 2020/21 and accelerate the recruitment of Police Officers into the Force, in comparison to the Governments timeframes, with 55 FTE more Police Officers being recruited in 2020/21 than the 72 FTEs than the Government are initially funding.
- 6.3 The proposed precept increase will enable me, amongst other things, provide sufficient levels of funding to the Chief Constable to support the plans and structures that the Force has articulated to me that they need to support the delivery of the Police and Crime Plan, this includes all of the posts that the Chief Constable has indicated as required to provide the necessary support and resilience to address the concerns raised within the HMICFRS report.

To aid the Panel in considering my proposal on Precept I attach to this report:

- Appendix A – Draft Budget based on a £10 Precept Increase
- Appendix B – Draft Capital Budget
- Appendix C – Full details of the Precept Consultation



