



# **Review of the Overall Budget Strategy**

## **Task and Finish Group**

**Final Report**

**January 2019**

## **Members**

Councillor Charles Rooney	(Chair) (Middlesbrough Council)
Councillor Alec Brown	(Redcar and Cleveland)
Councillor Lesley Hamilton	(Hartlepool)
Councillor David Wilburn	(Stockton Borough Council)
Paul McGrath	Lay Member

## **The Group would like to thank the following people for contributing to its work:**

Barry Coppinger, Police and Crime Commissioner for Cleveland  
Michael Porter, Chief Finance Officer, Office of the PCC

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## SUMMARY

1. The Task and Finish Group was established to understand the key issues and financial pressures as part of the budget setting process in order to inform the work of the Panel and PCC.
2. The Task and Finish Group met on 17 January 2019 to receive information about the Police and Crime Commissioner's overall budget strategy for 2019/20. Discussion took place about funding and planning assumptions, total funding projections and funding pressures.
3. The Group met again on 28 January 2019, following confirmation of the settlement from the Government, to discuss the proposed precept increase with the Police and Crime Commissioner.
4. This report provides detail of the evidence considered and questions that were raised for discussion with the PCC prior to consideration by the Police and Crime Panel meeting on 5 February, when the precept will be set for 2019/20.

## Key Findings and Conclusions

- The increase in Total Funding for Cleveland is 5.77%, which will be the lowest in the Country
- In overall cash terms, before Precept is considered, the organisation has less Cash than it had last year from the Government, taking into account the additional Pensions Costs that have been passed from the Government to Local Forces. In real terms therefore, the settlement equates to a further cut in Government funding of approximately £2.1m
- Precept increases up to £24 would be permitted
- Any precept increase for Cleveland of less than £14.50 would result in further cuts
- A £24 precept increase at Band D would provide approximately £1.8m additional funding for Cleveland and would provide the opportunity to reinstate some of the services that had been lost as well as providing additional funding and investment
- Reserves were at a relatively low level and were necessary for serious incident response and to manage other potential risks
- The impact of the proposal to increase the precept by £24 will increase a household council tax bill by 46 pence per week for a Band D property. However, as only a small minority of properties in Cleveland fall into Band D or above, in the vast majority of cases, the increase will equate to 31-41p per week in a household council tax bill
- In the public consultation results, over two thirds (68%) of respondents said they would be prepared to pay an extra £16.00 - £24.00 per year, for Band A to D properties, to help maintain current Policing Services in Cleveland and to provide an additional £1.8m for investment in Community Policing

The Task and Finish Group concluded that, given future uncertainties, there was a strong argument for taking advantage of the opportunity afforded by the current flexibilities. The Group felt that a £24 precept increase would allow much needed investment in the Force. The Group were also mindful that if the Force did not take advantage of the current flexibilities, it would be difficult to argue for additional funding in the future.

## Recommendation

That the proposal of the Police and Crime Commissioner to set the Band D Police Element of the Council Tax within Cleveland for 2019/20 at £250.54 (an increase of £24, or 10.59% over the 2018/19 level) be endorsed.

## **DETAIL**

1. On 17 January 2019 the Task and Finish Group received a presentation from Michael Porter, the PCC's professional adviser on financial matters setting out:

- Financial Background and Context
- Provisional 2019/20 Police Funding Settlement
- Precept
- Precept Consultation
- Future Planning Assumptions
- Reserves
- Forecast Summary Revenue Plans

2. The main issues discussed by the Task and Finish Group were as follows:

- £509m additional funding resulting from council tax flexibilities would be realized only if all Forces made a precept increase of £24
- The impact of police pension changes negated the additional funding allocated – in real terms, Cleveland were about £1.8m worse off. Central Government had met approximately one third of the impact of the pension changes with the rest needing to be met by Police Forces
- Reductions in posts /redundancies had added to Pension Fund pressures
- A £24 increase would provide approximately £1.8m additional funding for Cleveland and would provide the opportunity to reinstate some of the services that had been lost as well as providing additional funding for issues such as fraud and cyber crime
- Increases anywhere between £12 and £24 would be permitted
- No increase would lead to further cuts in service
- There would be a wide discussion with the Force about where best to reinvest the additional funding from any increase agreed
- A representative telephone survey had been introduced as part of this year's public consultation
- Early indications were that the majority of respondents would be prepared to pay additional precept in order for better services
- Sickness absence continued to create budget pressure. The Force were investing in a wellbeing team to address this as part of a range of measures
- Reserves were at a relatively low level and were needed for serious incident response
- Given future uncertainties, there was a strong argument for seizing the opportunity afforded by the current flexibilities allowing a £24 increase

### **Police Funding Settlement 2019/20**

3. The Task and Finish Group met again on 28 January 2019 and were advised that the Police Funding Settlement 2019/20 was announced in a written ministerial statement by the Minister for Policing and the Fire Service Nick Hurd MP on Thursday 24 January 2019.

4. The Task and Finish Group noted that the Ministry of Housing, Communities and Local Government (MHCLG) were not expected to publish their final settlement until the first week in February and that the referendum principles document remained a draft until that final confirmation. Until these referendum principles were confirmed, there was therefore a very small risk that the Precept proposal (that the PCC is legally required to propose by the 31 January) could be in breach of these final referendum principles.

5. The main points within the settlement were:

- A headline of £970m additional funding for the service which includes:
  - £161m additional formula funding,
  - £153m of pension grant,
  - £59m additional funding for Counter Terrorism,
  - £90m additional funding to tackle Serious and Organised Crime and
  - £509m as a result of additional council tax flexibilities.
- Of the £970m approximately £813m is for local policing
  - £509m precept
  - £143m pension grant
  - £161m additional Funding.
- Precept flexibility of up to £24 for all PCCs (or equivalents) in 2019-20.
- £161m additional grant funding – made up of primarily £146m increase in core grant.
- The settlement, including and assuming that each Police Force area increases the Police element of council tax by £24, and pension grant, represents an average cash increase (total funding) of 7.2% between 2018/19 and 2019/20.
- £160m additional Counter Terrorism funding (announced at the 2018 Autumn Budget) equivalent to an annual increase of £59m; an 8% increase on total CT funding.
- New Requirements - The minister's letter refers to the requirement to "drive efficiency, productivity and effectiveness"

6. The implications for Cleveland were:

- An increase in Police Grant of £1,753k or 2.1%
- A Pension's Grant of £1,324k
- The impact of Police Pension changes to Cleveland creating a budget pressure of £3.3m

7. Therefore in overall cash terms, before Precept is considered, the organisation has less Cash than it had last year, from the Government, taking into account the additional Pensions Costs that have been passed from the Government to Local Forces. In real terms therefore this equates to a further cut in Government Funding of circa £2.1m.

8. The Panel discussed the application of the Police Allocation Formula. Cleveland has not seen the average increase in Total Funding; it will only receive an increase of 5.77% which will be the lowest in the Country. Had Cleveland received an 'average' 7.2% increase in total funding (before significant additional Pension costs) then the PCC would have received a further £1.8m of additional recurring funding for 2019/20 and had Cleveland received the highest increase, before additional pension costs (Hertfordshire), this would have equated to an additional £3.4m per annum more funding in 2019/20.

## Long Term Financial Planning (LTFP) Assumptions

9. The Task and Finish Group heard that planning assumptions remain under review and are updated with the best information available. The LTFP for 2019/20 and beyond will assume the following:

- Pay Awards: 2% increase pa
- 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 pa
- Government Grants: Frozen until 2020/21 and the increases of 2% thereafter
- Impact of Funding Formula review – Nil

10. Based on these revised assumptions, and the information received and forecast around other areas of funding, then the entire funding expected to be available for the next four years, in comparison to 2017/18 and 2018/19, is as follows:

	<b>Actual</b>				
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Funding</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(83,500)	(85,253)	(85,253)	(86,958)	(88,697)
Council Tax Precept	(34,583)	(38,784)	(40,928)	(42,144)	(43,400)
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>(125,751)</b>	<b>(131,706)</b>	<b>(133,850)</b>	<b>(136,770)</b>	<b>(139,766)</b>
%age change in Net Budget Requirement	1.6%	4.7%	1.6%	2.2%	2.2%
Specific Grants	(4,911)	(5,880)	(6,726)	(5,626)	(5,626)
Witness and Victims Funding	(1,246)	(1,411)	(654)	(667)	(680)
Partnership Income/Fees and Charges	(2,737)	(2,893)	(2,965)	(3,147)	(3,199)
<b>Total Funding</b>	<b>(134,644)</b>	<b>(141,890)</b>	<b>(144,195)</b>	<b>(146,210)</b>	<b>(149,270)</b>
%age change in Total Funding	2.2%	5.4%	1.6%	1.4%	2.1%
<b>NBR Forecast - February 2018</b>	<b>(125,751)</b>	<b>(127,805)</b>	<b>(130,576)</b>	<b>(133,380)</b>	<b>(136,315)</b>
<b>Changes to NBR Funding Forecast</b>	<b>0</b>	<b>(3,901)</b>	<b>(3,273)</b>	<b>(3,390)</b>	<b>(3,451)</b>

11. The Panel noted that, as a result of the Government Grant settlements being better than expected, and the flexibility to increase precept by more than previously forecast, the overall funding available to the PCC was higher than projected in February 2018 by £3.9m.

12. This needs to be viewed in the context of the increased Police Pension contribution requirement that totals £2m per annum, after allowing for an additional pensions grant.

13. In overall terms the PCC will therefore have around £1.9m more income, at the Net Budgetary Requirement level, in 2019/20 than was expected a year ago. This should therefore provide some opportunity to invest in 2019/20 in priority areas.

## Impact of a £24 Precept Increase

14. The precept calculations are set out below based on the proposed £24 increase:

<b>Proposed Precepts - £24 Increase</b>			
	<b>Unadjusted Precept</b>	<b>Collection Fund Balance</b>	<b>Council Tax Requirement</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Hartlepool Borough Council	6,120,932	5,000	6,115,932
Middlesbrough Borough Council	8,508,420	88,272	8,420,148
Redcar & Cleveland Borough Council	10,096,460	256,000	9,840,460
Stockton on Tees Borough Council	14,058,476	0	14,058,476
<b>Total Precept</b>	<b>38,784,288</b>	<b>349,272</b>	<b>38,435,016</b>

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

<b>Council Tax Increases</b>				
	<b>£24 increase</b>			
<b>Property Band</b>	<b>2019/20</b>	<b>2018/19</b>	<b>Increase per Annum</b>	<b>Increase per Week</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
A	167.03	151.03	16.00	0.31
B	194.86	176.20	18.67	0.36
C	222.70	201.37	21.33	0.41
D	250.54	226.54	24.00	0.46
E	306.22	276.88	29.33	0.56
F	361.89	327.22	34.67	0.66
G	417.57	377.57	40.00	0.77
H	501.08	453.08	48.00	0.92

16. The Panel noted that the impact of the proposal to increase the Police precept by £24 will increase a household council tax bill by 46 pence per week for a Band D property. However, as only a small minority of properties in Cleveland fall into Band D or above, in the vast majority of cases, the increase will equate to 31- 41p per week in a household council tax bill.

### Consultation with the Public

17. The Task and Finish Group were informed that consultation had taken place with the public on their opinions in relation to an increase of up to £24 per annum for the 'Police' element of their Council Tax Bill. The information for the survey was undertaken via:

- the PCC website
- a telephone survey of a representative sample of the people of Cleveland

18. The consultation ran from the 21 December until 21 January 2019 and 1,085 people completed the survey. The Task and Finish Group received a summary of the consultation results. The key findings were:

- 94% of respondents said that the Government should provide more money to help deliver policing services in Cleveland
- Over two thirds (68%) of respondents said they would be prepared to pay an extra £16.00-£24.00 per year, for Band A to D properties, as part of your Council Tax bill, to help maintain current Policing Services in Cleveland and to provide an additional £1.8m for investment in Community Policing.

19. Other issues discussed at the 28 January meeting were as follows:

- As well as public consultation, the PCC had consulted with the other Councils in the Force area and local MPs
- More information would be provided to the Panel on how the investment, if approved, would be made in community policing, focusing on areas of greatest need
- Demands on the Force were increasing and it was hoped that additional funding would reduce the pressure on the workforce; investment in smarter working could also play a role
- The vast majority of Forces were consulting on a £24 increase
- Any precept increase for Cleveland of less than £14.50 would result in further cuts
- The Government were already making assumptions that Forces would be making a £24 increase
- If the Force did not take advantage of the current flexibilities, it would be difficult to argue for additional funding in the future.

### **Financial Summary**

The Chief Finance Officer provided the Task and Finish Group with a draft Budget based on a £24 precept increase (see Appendix A).



	Actual Budget	Actual Budget				
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Government Grant	(83,500)	(83,500)	(85,253)	(85,253)	(86,958)	(88,697)
Council Tax Precept	(32,656)	(34,583)	(38,784)	(40,928)	(42,144)	(43,400)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)
<b>Funding for Net Budget Requirement</b>	<b>(123,824)</b>	<b>(125,751)</b>	<b>(131,706)</b>	<b>(133,850)</b>	<b>(136,770)</b>	<b>(139,766)</b>
%age Change in Net Budgetary Requirement	-0.1%	1.6%	4.7%	1.6%	2.2%	2.2%
Specific Grants	(4,558)	(4,911)	(5,880)	(6,726)	(5,626)	(5,626)
Witness and Victims Funding	(659)	(1,246)	(1,411)	(654)	(667)	(680)
Partnership Income/Fees and Charges	(2,664)	(2,737)	(2,893)	(2,965)	(3,147)	(3,199)
<b>Total Core Funding</b>	<b>(131,705)</b>	<b>(134,644)</b>	<b>(141,890)</b>	<b>(144,195)</b>	<b>(146,210)</b>	<b>(149,270)</b>
Special Grant			(3,475)	(3,500)	0	0
<b>Total Overall Funding</b>	<b>(131,705)</b>	<b>(134,644)</b>	<b>(145,365)</b>	<b>(147,695)</b>	<b>(146,210)</b>	<b>(149,270)</b>
<b>Office of the PCC Planned Expenditure</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Staff Pay	645	660	743	760	780	800
Non Pay Expenditure	205	200	137	140	140	140
<b>Total Planned Expenditure</b>	<b>850</b>	<b>860</b>	<b>880</b>	<b>900</b>	<b>920</b>	<b>940</b>
<b>Community Safety/Victims and Witness</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Community Safety Initiatives	986	982	1,146	1,002	1,002	1,003
Service Improvement and Development	1,250	1,450	2,430	2,900	3,050	3,200
Victims and Witnesses Services	1,009	1,508	1,864	1,164	1,172	1,178
<b>Total Planned Expenditure</b>	<b>3,245</b>	<b>3,939</b>	<b>5,440</b>	<b>5,065</b>	<b>5,225</b>	<b>5,380</b>
<b>Corporate Services</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Staff Pay	330	465	600	470	480	490
Non Pay Expenditure	100	95	115	100	100	100
PFI Action Stations	5,145	5,240	5,325	5,410	5,500	5,590
PFI Uraly Nook	1,770	1,820	1,830	1,870	1,910	1,950
Asset Management	1,605	1,855	2,050	1,935	1,550	1,450
<b>Total Corporate Costs</b>	<b>8,950</b>	<b>9,475</b>	<b>9,920</b>	<b>9,785</b>	<b>9,540</b>	<b>9,580</b>
<b>Police Force Planned Expenditure</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Pay</b>						
Police Pay	66,740	64,043	67,662	68,652	69,672	71,491
Police Overtime	1,375	1,402	1,468	1,538	1,668	1,589
Police Community Support Officer Pay	4,255	4,360	4,055	4,180	4,280	4,365
Staff Pay	9,755	10,525	14,550	14,670	13,993	14,381
<b>Pay Total</b>	<b>82,125</b>	<b>80,330</b>	<b>87,735</b>	<b>89,040</b>	<b>89,613</b>	<b>91,826</b>
<b>Major Contracts</b>						
Custody and Medical Contract	2,523	2,466	2,471	2,521	2,571	2,621
Outsourcing Contract	17,139	17,900	18,490	17,500	16,500	16,850
<b>Major Contracts Total</b>	<b>19,662</b>	<b>20,366</b>	<b>20,961</b>	<b>20,021</b>	<b>19,071</b>	<b>19,471</b>
<b>Non-Pay Budgets</b>						
Other Pay and Training	380	756	744	759	776	789
Injury and Medical Police Pensions	2,435	2,787	2,993	3,093	3,193	3,293
Premises	3,620	3,662	3,501	3,577	3,655	3,733
Supplies and Services	7,035	7,455	7,599	7,709	7,707	7,708
Transport	1,576	1,456	1,471	1,471	1,491	1,501
External Support	2,587	2,958	3,212	3,416	3,416	3,416
<b>Non-Pay Total</b>	<b>17,633</b>	<b>19,074</b>	<b>19,519</b>	<b>20,024</b>	<b>20,237</b>	<b>20,439</b>
<b>Total Planned Force Expenditure</b>	<b>119,420</b>	<b>119,770</b>	<b>128,215</b>	<b>129,085</b>	<b>128,920</b>	<b>131,735</b>
%age Change in Expenditure	0.0%	0.3%	7.1%	0.7%	-0.1%	2.2%
<b>(Surplus)/ Deficit</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>760</b>	<b>(600)</b>	<b>(910)</b>	<b>(2,860)</b>	<b>(1,605)</b>	<b>(1,635)</b>	
Planned Transfers to/(from) General Fund	(2,000)	(950)	(950)	0	0	
Contribution to Capital Programme	1,165	1,400	2,120	2,710	1,455	1,485
Planned Transfers to/(from) Earmarked Reserves	75	150	(260)	150	150	150
<b>Net (Surplus)/Deficit After Reserves</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
<b>General Reserves</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
General Fund Balance b/f	8,016	6,074	5,974	5,024	5,024	5,024
General Fund Movements	(2,000)	(950)	(950)	0	0	0
In Year General Fund movements	58	850	0	0	0	0
<b>General Fund Balance c/f</b>	<b>6,074</b>	<b>5,974</b>	<b>5,024</b>	<b>5,024</b>	<b>5,024</b>	<b>5,024</b>
<b>Employee Numbers (Average per year)</b>	<b>FTEs</b>	<b>FTEs</b>	<b>FTEs</b>	<b>FTEs</b>	<b>FTEs</b>	<b>FTEs</b>
Police Officers	1,280	1,236	1,239	1,239	1,239	1,239
PCSOs	148	147	131	131	131	131
Police Staff - Police Force	285	318	423	423	423	423
PCC/Corporate Staff	14	14	14	14	14	14
<b>Assumptions</b>						
Pay Awards	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Non Pay Inflation	1.6%	2.0%	2.0%	2.0%	2.0%	2.0%
RPI	3.0%	3.5%	3.0%	3.0%	3.0%	3.0%
Precept Increases	2.0%	5.6%	10.6%	4.8%	2.0%	2.0%
Government Grant Movements (Cash Basis)	-1.4%	0.0%	2.1%	0.0%	2.0%	2.0%