



THE POLICE & CRIME COMMISSIONER FOR CLEVELAND

DECISION RECORD FORM

REQUEST: For PCC Approval

Title: 2017/18 Precept Proposal

Executive Summary:

The balance of 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 namely, Hartlepool Borough Council, Middlesbrough Borough Council, Redcar & Cleveland Borough Council and Stockton on Tees Borough Council to collect this.

Legislation requires the precept for 2017/18 to be set before 1st March 2017. The precept on each of the four billing authorities is set taking account of their individual surpluses/deficits on collection funds.

The PCC's attention is drawn to the following:

- The Police and Crime Commissioner must notify the relevant police and crime panel of the precept which the Commissioner is proposing to issue for the financial year (the "proposed precept") by the 31st January 2017.
- A Police and Crime Panel (PCP) can veto the proposed precept from the PCC if 2/3rds of the Membership of the panel vote to do so. In the case of the PCP for Cleveland 10 out of the 14 Members would have to vote against the proposed precept for it to be vetoed.
- The PCP are required to issue a report to the PCC on the proposed precept, by the 8th February 2017, including any recommendations that they may have on the proposal and also whether they have voted to veto the proposal.

If the PCP do not veto the proposed precept:

The PCC must:

- Have regard to the report made by the panel including any recommendations in the report,
- Give the panel a response to the report and any recommendations; and
- Publish the response.

The PCC may then:

- Issue the proposed precept as the precept for the financial year, or
- Issue a different precept, but only if it would be in accordance with a recommendation made in the report to do so.
- If the PCP veto the proposed precept then the PCC must not issue the precept and further steps must be undertaken in line with the legislation. Further information will be provided on this should it be necessary.
- A Police and Crime Commissioner may not issue a precept under section 40 of the Local Government Finance Act 1992 for a financial year until the end of this scrutiny process is reached.

The PCC has been informed by the Home Office that ***'Following the principles laid out on the 4 February, when setting out the final police funding settlement for 2016/17, I have decided that direct resource funding for each PCC, including precept, will be protected at flat cash levels compared to 2015/16, assuming that precept income is increased to the maximum amount available within the referendum limits in both 2016/17 and 2017/18. No PCC who chooses to maximise precept within the referendum limits in both years will face a reduction in cash funding next year compared to 2015/16. We have updated our precept forecasts for 2017/18 since February to reflect actual tax base increases in 2016/17. In 2017/18 PCCs will be able to increase their police precept by up to 2%'***

The current financial plans of the organisation for 2017/18 included a planning assumption of an increase in precept of 1.99%. This would provide just over £0.6m of recurring funding to spend on Policing and Crime above the option of a precept freeze. Any increase of 2% or more would require a costly referendum and any option below a 1.99% would reduce the resources available for Policing and Crime services on a recurring basis both in cash terms and real terms.

Decision:

It is therefore recommended that the Commissioner gives approval to propose, to the Police and Crime Panel, the Police Precept for 2017/18 as £214.54, for a Band D property within Cleveland. This would be an increase of 1.99%, or £4.18 per annum (around 8 pence per week), from the 2016/17 level for a Band D property. The impact on most households within Cleveland would however be less than this, with most seeing an increase of between 5 pence and 7 pence per week.

OPCC Lead Officer: Michael Porter

Contractor Details (if applicable):

Implications:

Has consideration been taken of the following:	Yes	No
Financial	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Equality & Diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Human Rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sustainability	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Risk	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(If yes please provide further details below)

Decision Required – Supporting Information

Financial Implications: (Must include comments of the PCC's Chief Finance Officer where the decision has financial implications)

The Tax Base

The four local Councils have notified the PCC of their tax bases for 2017/18 as set out in the table below:

Tax Base	2017/18	2016/17
	Net Tax Base	Net Tax Base
Hartlepool Borough Council	23,570	23,268
Middlesbrough Borough Council	32,924	32,169
Redcar & Cleveland Council	38,249	37,885
Stockton on Tees Borough Council	54,333	53,406
	149,076	146,727

The tax base is expressed in terms of Band D equivalent properties. Actual properties are converted to Band D equivalent by allowing for the relevant value of their tax bands as set down in legislation (ranging from 2/3rds for Band A to double for Band H; discounts for single person occupation, vacant properties, people with disabilities etc;) and a percentage is deducted for non-collection. Allowance is also made for anticipated changes in the number of properties.

The tax base calculated by the billing authorities differ from the figures used by the Government (which assumes 100% collection) in calculating Grant Formula entitlements.

As can be seen from the table above the number of Band D equivalent properties across Cleveland has increased in 2017-18, in comparison to 2016-17, by 2,349 – this equates to an increase of 1.6%.

The financial impact of this permanent increase in the number of calculated Band D properties of 2,349 is a recurring increase in precept funding of £0.5m from 2017/18 onwards, which has helped to reduce budget reductions and savings.

The 2017/18 tax base is therefore 149,076 Band D Equivalent properties.

Setting the Council Tax

The precept calculation needs to take account of any net surplus or deficit on the billing authority collection funds. Projected surplus/deficits on the individual funds are shown in the table below.

Collection Funds Surplus/ (Deficit)	
	£
Hartlepool Borough Council	16,000
Middlesbrough Borough Council	250,656
Redcar & Cleveland Council	32,000
Stockton on Tees Borough Council	374,545
Net Surplus on Collection Fund	673,201

The surpluses that have arisen need to be returned through the precept. The final precept to be levied will reflect the position on each council's collection fund.

In the 6 years prior to the Localisation of Council Tax benefits, the overall surplus on the collections funds of the 4 Councils averaged under £200k per annum. In the following 4 years the collection surpluses have been as follows:

- 2014/15 - £385k
- 2015/16 - £1,157k
- 2016/17 - £776k
- 2017/18 - £673k

This results, in part, from continued house building, changes made to Localisation of Council Tax benefit schemes, and the implementation of new powers on council tax application, such as on empty properties. There is however no guarantee that this level of surplus will continue into future years and therefore the current financial plans assume a surplus on the collective collection funds of £300k per annum across the 4 councils.

Financial Summary:

Net Budget Requirement

Based on the proposed precept increase of 1.99% the Net Budget Requirement (NBR) for 2017/18, in comparison to 2016/17, is set out in the table below:

Funding the Net Budget Requirement			
	2017/18	2016/17	(Increase)/Reduction
	£000s	£000s	£000s
Funding			
Police Grant	(45,508)	(46,152)	645
RSG/National Non Domestic Rate	(37,992)	(38,532)	540
Total Formula Funding	(83,500)	(84,684)	1,184
Net Surplus on Collection Funds	(673)	(776)	103
Council Tax Freeze Grant	(800)	(800)	0
Council Tax Support Grant	(6,868)	(6,868)	0
Council Tax Requirement	(31,983)	(30,865)	(1,117)
Net Budget Requirement	(123,824)	(123,994)	170

As can be seen from the above the NBR is expected to reduce in 2017/18, by £170k even if the precept is increased by 1.99%. This is in line with the overall forecasts produced in February 2016.

It is worth noting that in addition to having slightly less money available in 2017/18 than in 2016/17, even with the precept increase, that there are also unavoidable additional costs to the organisation in 2017/18, in comparison to 2016/17, such as 1% National Pay Awards - £1m and the Apprentice Levy - £0.4m. This is before any unavoidable increases in contract and non-pay costs are taken into account.

There is still a need for the organisation to generate quite significant savings just to balance the budget. This is before funding can be set aside to aid investment in priority areas. Any change to the proposed 1.99% increase in precept would therefore increase the savings needed and/or require reduced services.

Precept Calculations

The final precept calculations are set out in the tables below based on a 1.99% increase:

Proposed Precepts - 1.99% Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Hartlepool Borough Council	5,072,601	16,000	5,056,601
Middlesbrough Borough Council	7,314,171	250,656	7,063,515
Redcar & Cleveland Borough Council	8,238,005	32,000	8,206,005
Stockton on Tees Borough Council	12,031,190	374,545	11,656,645
Total Precept	32,655,966	673,201	31,982,765

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. £31,982,765 by 149,076 giving a council tax rate for Band D properties of £214.54.

The proposed council tax rate for each property band is determined in accordance with the statutory proportions and is set out in the table below. It is advised that the tax rates should be calculated to more than 2 decimal places.

Council Tax		1.99% Increase	
Property Band	Proportion	Council Tax to 2 Decimal Places	Council Tax to 3 Decimal Places
		£	£
A	2/3rds	143.03	143.027
B	7/9ths	166.86	166.864
C	8/9ths	190.70	190.702
D	1	214.54	214.540
E	1&2/9ths	262.22	262.216
F	1&4/9ths	309.89	309.891
G	1&2/3rds	357.57	357.567
H	2	429.08	429.080

The impact of a 1.99% increase in the 'Police' element of the council tax is shown in the table below.

Council Tax Increases				
Property Band	1.99% increase			
	2017/18	2016/17	Increase per Annum	Increase per Week
	£	£	£	£
A	143.027	140.240	2.787	0.05
B	166.864	163.613	3.251	0.06
C	190.702	186.987	3.716	0.07
D	214.540	210.360	4.180	0.08
E	262.216	257.107	5.109	0.10
F	309.891	303.853	6.038	0.12
G	357.567	350.600	6.967	0.13
H	429.080	420.720	8.360	0.16

Legal Implications: (Must include comments of the Monitoring Officer where the decision has legal implication)

Given the nature of this decision, the legal and legislative requirements fall within the remit of the PCC CFO and have been covered off in this document by the PCC CFO.
Having read this report and having considered such information as has been provided at the time of being asked to express this view, the Chief Executive is satisfied that this report does not ask the PCC to make a decision which would (or would be likely to) give rise to a contravention of the law.

Equality and Diversity Implications

There are no diversity or equal opportunity implications arising from this report

Human Rights Implications

There are no Human Rights implications arising from this report.

Sustainability Implications

This report is part of the process required to ensure that the process for proposing a precept to the Police and Crime Panel is open and transparent. It sets out the realistic options that the PCC can and should consider before proposing a precept to the PCP and is part of the process of establishing sustainable annual and medium term financial plans and maintaining prudent financial management within the organisation

Risk Management Implications

The requirements on the PCC to propose and consult with the PCP on their proposals for Precept are set out in legislation and covered in this report. Failure to start the consultation process with the PCP before the end of January 2017 and to conclude this process, including setting a precept before 1st March 2017, would result in an illegal budget.

OFFICER APPROVAL

Monitoring Officer

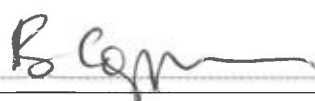
I have been consulted about the decision and confirm that financial, legal, and equalities advice has been taken into account. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Signed 

Date 27/1/17

Police and Crime Commissioner:

The above request HAS my approval.

Signed 

Date 27/1/17