

**THE POLICE & CRIME COMMISSIONER FOR
CLEVELAND**
DECISION RECORD FORM

REQUEST: For decision																				
Title: Proposing the 2013/14 Precept																				
<p>Executive Summary:</p> <p>A decision is required on what proposal will be made by the PCC to the Police and Crime Panel in relation to Precept for 2013/14. The PCC is required by legislation to propose a precept to the Panel by the 31st January 2013.</p>																				
<p>Decision:</p> <p>The attached paper sets out the options for the PCC to consider in relation to the precept and sets out a choice of which one to propose to the panel.</p> <p>In addition to approving the recommendation in the report the PCC is asked to choose between a precept freeze for 2013/14 and an increase of 1.99%.</p>																				
<p>Implications:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 60%;">Has consideration been taken of the following:</th> <th style="text-align: center; width: 20%;">Yes</th> <th style="text-align: center; width: 20%;">No</th> </tr> </thead> <tbody> <tr> <td>Financial</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Legal</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Human Rights</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Sustainability</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Risk</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </tbody> </table> <p>(If yes please provide further details)</p>			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"/>	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"/>
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Risk	<input checked="" type="checkbox"/>	<input type="checkbox"/>																		

Decision Required – Supporting Information

Financial Implications (Must include comments of the PCC's CFO where the decision has financial implications)

The attached report has been written by the PCC's CFO and all of the relevant financial implications are contained within the report.

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

Please see report

Equality and Diversity Implications

Please see report

Human Rights Implications

Please see report

Sustainability Implications

Please see report

Risk Management Implications

Please see report

OFFICER APPROVAL

Chief Executive

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

Signature:



Date:

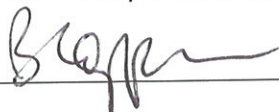
25.1.13

Police and Crime Commissioner:

Please prepare the required documents to propose a precept increase of 1.99% for 2013/14 to the Police and Crime Panel

The above request HAS / ~~DOES NOT HAVE~~ my approval.

Signature:



Date:

25/1/13

Report of the Chief Financial Officer of the PCC to the Police and Crime Commissioner for Cleveland

24th January 2013

Author: Mr Michael Porter, CFO

Status: For decision

Proposing the 2013/14 Precept

1 Purpose

- 1.1 Legislation requires that the Police and Crime Commissioner (PCC) agrees its budget and associated precept and basic council tax for the forthcoming year before 1st March each year. However before doing so the PCC must notify the relevant Police and Crime Panel of the precept which they propose to issue for the following year.
- 1.2 This report establishes the Council Tax Base and presents 2 options of precept for the forthcoming year.
- 1.3 The paper presents two options for the PCCs consideration:
 - Option 1 - A precept freeze
 - Option 2 - A precept rise of 1.99%

2 Recommendations

2.1 The PCC is asked to agree one of the following options on the Precept for 2013/14 which will then be proposed to the Police and Crime Panel:

2.2 Option 1 – Precept freeze

- The Net Budget Requirement for 2013/14 as £127,058k.
- The funding for the Net Budget Requirement for 2013/14 as:
 - Police Grant £50,249k
 - Revenue Support Grant/NNDR £42,300k
 - Net Surplus on Collection Funds £422k
 - Council Tax Freeze Grant £1,133k
 - Council Tax Support Grant £6,847k
 - Precept £26,107k
 - £127,058k
- The Council Tax Requirement as £26,107,425
- The tax base for 2013/14 as 134,289 Band D equivalent properties.
- The basic amount of council tax (Band D equivalent) for 2013/14 be set at £194.412.
- The following precepts be levied on the four billing authorities:
 - Hartlepool Borough Council £4,219,081
 - Middlesbrough Borough Council £5,865,619
 - Redcar & Cleveland Borough Council £6,366,647
 - Stockton on Tees Borough Council £9,656,079

Agree that council tax be set at the following levels:

– A	2/3rds	£129.608
– B	7/9ths	£151.210
– C	8/9ths	£172.811
– D	1	£194.412
– E	1&2/9ths	£237.615
– F	1&4/9ths	£280.818
– G	1&2/3rds	£324.021
– H	2	£388.825

2.3 Option 2 – Precept rise of 1.99%

- The Net Budget Requirement for 2013/14 as £127,245k.

- The funding for the Net Budget Requirement for 2013/14 as:
 - Police Grant £50,249k
 - Revenue Support Grant/NNDR £42,300k
 - Net Surplus on Collection Funds £422k
 - Council Tax Freeze Grant £800k
 - Council Tax Support Grant £6,847k
 - Precept £26,627k
 - £127,245k

- The Council Tax Requirement as £26,626,963

- The tax base for 2013/14 as 134,289 Band D equivalent properties.

- The basic amount of council tax (Band D equivalent) for 2013/14 be set at £198.281.

- The following precepts be levied on the four billing authorities:
 - Hartlepool Borough Council £4,303,041
 - Middlesbrough Borough Council £5,982,344
 - Redcar & Cleveland Borough Council £6,493,343
 - Stockton on Tees Borough Council £9,848,235

- Agree that council tax be set at the following levels:
 - A 2/3rds £132.188
 - B 7/9ths £154.219
 - C 8/9ths £176.250
 - D 1 £198.281
 - E 1&2/9ths £242.344
 - F 1&4/9ths £286.406
 - G 1&2/3rds £330.469
 - H 2 £396.563

3 Reasons

3.1 Agreeing the Precept

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.

3.2 Legislation requires the precept to be set before 1st March 2013. The precept on each of the four billing authorities is set taking account of their individual surpluses/deficits on collection funds.

3.3 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 2013.
- 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 2012, 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 approval process shown in Appendix A.

- 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 options around Precept for 2013/2014 seek to provide the PCC with the realistic choices that they have in relation to proposing a Precept to the PCP.

Option 1: Precept Freeze

- 3.4 The Government has offered a Grant, which will only be received in both 2013-14 and 2014-15, that is the equivalent to a 1.0% precept increase, based on the 2012-13 Council Tax base, to all Police and Crime Commissioners that choose to freeze Council Tax levels at those in place for 2012-13 for the 2013-14 financial year.
- 3.5 This Grant, if the PCC chooses to freeze precept for 2013-14, will be for £333k and will be received in both 2013-14 and 2014-15.
- 3.6 The initial planning assumption for the 2013-14 budget, in relation to Precept, was an increase of 3.5% per annum across the life of the LTFP. However various announcements made by the government indicating that increases above 2% would trigger a referendum resulted in the planning assumption being revised down to 2%. The impact of moving down from 3.5% to 2.0% is a reduction in forecast precept income of £397k per annum.
- 3.7 The impact of moving away from assuming a 2% increase in precept in each year of the LTFP, to a precept freeze for 2013-14, followed by increases of 2.0% per annum thereafter, is set out below:

	2013/14 £000s	Change £000s	2014/15 £000s	Change £000s	2015/16 £000s	Change £000s	2016/17 £000s
Assumed Council Tax levels based on 2.0% increase per annum (before Collection Surplus/Deficits or changes in Band D numbers)	(26,627)	(533)	(27,160)	(543)	(27,703)	(554)	(28,257)
Council Tax forecast based on Precept Freeze in 2013-14 and 2% increases thereafter	(26,107)	(522)	(26,629)	(533)	(27,162)	(543)	(27,705)
Reduced level of funding	520		530		541		552
Government Grant @ 1% for 2 years	(333)		(333)				
Reduced level of funding after Grant	187		197		541		552

3.8 As can be seen from the above there is little impact in 2013-14 and 2014-15 of choosing to freeze precept versus the choice of increasing by 2%. However once the grant ceases in 2015-16 then there is likely to be around £540k per annum permanently less to spend on Policing and Crime within Cleveland. This is the equivalent of 11 FTE Police Officers or 18 PCSOs.

3.9 The choice about whether to accept the grant on offer for 2013-14 and 2014-15 needs to balance the benefits to the Council Tax payer of choosing to freeze the Council Tax for 2013-14, in terms of lower council tax bills, versus the ability and capacity of the PCC and Force to generate sufficient savings to balance the budget in 2014-15 and beyond.

Option 2: Precept Rise of 1.99%

3.10 The Localism Act 2011 includes powers to introduce arrangements for council tax referendums. A referendum will take place if an authority, including a PCC, proposes a percentage increase in council tax that exceeds the level agreed by the House of Commons. These referendums would be binding. On the 19th December 2012 the Secretary of State announced that the level would be 2% for 2013-14 and therefore in the majority of cases any increase in precept above 2% would trigger a referendum. There are exceptions to this limit for Authority's in the bottom quartile of their class of Authority, in terms of the level of their Band D precept, however this does not impact on the PCC for Cleveland.

3.11 Net Budget Requirement

The Net Budget Requirement options are set out in table 1 below.

Table 1: Funding the Net Budget Requirement		
	Option 1	Option 2
	0.00%	1.99%
	£000s	£000s
Funding		
Police Grant	(50,249)	(50,249)
RSG/National Non Domestic Rate	(42,300)	(42,300)
Total Formula Funding	(92,549)	(92,549)
Net Surplus on Collection Funds	(422)	(422)
Council Tax Freeze Grant	(1,133)	(800)
Council Tax Support Grant	(6,847)	(6,847)
Council Tax Requirement	(26,107)	(26,627)
Net Budget Requirement	(127,058)	(127,245)

3.12 The Tax Base

The four Borough Councils have notified the PCC of their tax bases for 2013/14 as set out in table 2 below.

	2013/14		2012/13	
	Allowance for Non Collection (%)	Net Tax Base	Allowance for Non Collection (%)	Net Tax Base
Hartlepool Borough Council	1.5	21,702	1.5	28,001
Middlesbrough Borough Council	4.0	30,171	2.0	39,758
Redcar & Cleveland Borough Council	1.5	32,748	1.5	43,725
Stockton on Tees Borough Council	2.5	49,668	2.0	59,341
		134,289		170,825

3.13 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.

3.14 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.

3.15 As can be seen from Table 2 the number of Band D equivalent properties across Cleveland has reduced significantly in 2013-14, in comparison to 2012-13, by 36,536. This results from the policy to Localise Council Tax Support. Instead of the Local Councils reclaiming Council Tax Support from Central Government the Government has devolved the responsibility for both the administration and design, with some limitations and after a 10% reduction in the funding previously available, to Local Councils.

3.16 The financial impact on the PCC of the reduction in Band D properties of 36,536 is £7,244k (based on the 2013-14 proposed Precept rate after a 1.99% increase), this is in part mitigated by a government grant of £6,847k.

3.17 **The PCC is asked to agree the 2013/14 tax base as 134,289 Band D Equivalent properties.**

3.18 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 table 3 below.

Table 3: Collection Funds Surplus/ (Deficit)	
	£
Hartlepool Borough Council	101,073
Middlesbrough Borough Council	14,226
Redcar & Cleveland Borough Council	2,416
Stockton on Tees Borough Council	303,872
Net Surplus on Collection Fund	421,587

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

3.20 The final precept calculations are set out in tables 4a and 4b below based on the 2 options that the PCC has to consider:

3.21

Table 4a: Proposed Precepts - Option 2: 0.00% Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Hartlepool Borough Council	4,320,154	(101,073)	4,219,081
Middlesbrough Borough Council	5,879,845	(14,226)	5,865,619
Redcar & Cleveland Borough Council	6,369,063	(2,416)	6,366,647
Stockton on Tees Borough Council	9,959,951	(303,872)	9,656,079
Total Precept	26,529,012	(421,587)	26,107,425

3.22 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. £26,107,425 by 134,289, giving a council tax rate for Band D properties of £194.412.

3.23

Table 4b: Proposed Precepts - Option 2: 1.99% Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Hartlepool Borough Council	4,404,114	(101,073)	4,303,041
Middlesbrough Borough Council	5,996,570	(14,226)	5,982,344
Redcar & Cleveland Borough Council	6,495,759	(2,416)	6,493,343
Stockton on Tees Borough Council	10,152,107	(303,872)	9,848,235
Total Precept	27,048,550	(421,587)	26,626,963

3.24 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. £26,626,963 by 134,289, giving a council tax rate for Band D properties of £198.281.

3.25 **The PCC is asked to agree that the basic amount of council tax proposed to the PCP (Band D equivalent) for 2013/14 be set at:**

- **£194.412 if Option 1 is chosen**
- **£198.281 if Option 2 is chosen**

3.26 The proposed council tax rate for each property band is determined in accordance with the statutory proportions and is set out in table 5 below. It is advised that the tax rates should be calculated to more than 2 decimal places.

Table 5: Council Tax		Option 1		Option 2	
Property Band	Proportion	Council Tax to 2 Decimal Places	Council Tax to 3 Decimal Places	Council Tax to 2 Decimal Places	Council Tax to 3 Decimal Places
		£	£	£	£
A	2/3rds	129.61	129.608	132.19	132.188
B	7/9ths	151.21	151.210	154.22	154.219
C	8/9ths	172.81	172.811	176.25	176.250
D	1	194.41	194.412	198.28	198.281
E	1&2/9ths	237.62	237.615	242.34	242.344
F	1&4/9ths	280.82	280.818	286.41	286.406
G	1&2/3rds	324.02	324.021	330.47	330.469
H	2	388.82	388.825	396.56	396.563

3.27 Although Band D is set by law as the benchmark for council tax calculations, the PCC 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. Across all property bands some households will be eligible for discounts e.g. single person occupancy.

3.28 The Local Government Finance Act 1992 does not give authorities the power to delegate calculation of the tax payments or the 'basic amount' to officers or committees. These figures are consequently included in the recommendations in order that they may be agreed by the PCC with the advice of the PCCs Chief Finance Officer.

3.29 The impact of the options for increases in council tax is shown in table 6 below.

Property Band	Option 1 - Freeze				Option 2 - 1.99% increase			
	2013/14	2012/13	Increase per Annum	Increase per Week	2013/14	2012/13	Increase per Annum	Increase per Week
	£	£	£	£	£	£	£	£
A	129.608	129.608	0.000	0.00	132.188	129.608	2.579	0.05
B	151.210	151.210	0.000	0.00	154.219	151.210	3.009	0.06
C	172.811	172.811	0.000	0.00	176.250	172.811	3.439	0.07
D	194.412	194.412	0.000	0.00	198.281	194.412	3.869	0.07
E	237.615	237.615	0.000	0.00	242.344	237.615	4.729	0.09
F	280.818	280.818	0.000	0.00	286.406	280.818	5.588	0.11
G	324.021	324.021	0.000	0.00	330.469	324.021	6.448	0.12
H	388.825	388.825	0.000	0.00	396.563	388.825	7.738	0.15

4 Implications

4.1 Finance

The financial implications from this report are covered in the body of the report based on whether the following options on Precept are chosen:

- Option 1 - A precept freeze
- Option 2 - A precept rise of 1.99%

4.2 Diversity & Equal Opportunities

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

4.3 Sustainability

This report is part of the process required to ensure that the process for proposing a precept to the PCP 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.

4.4 Risk

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 2013 and to conclude this process, including setting a precept before 1st March 2013, would result in an illegal budget. An increase in precept above 2% would trigger a referendum with the costs of this, and any associated costs for re-billing for instance, falling to the PCC to pay.

5. Conclusion

5.1 The PCC has been presented with 2 options in relation to Precept for 2013/2014. These options seek to provide the PCC with the realistic choices that they have in relation to Precept and the impact of those choices. The challenge that the PCC faces when considering the Precept for 2013/14 is in getting the balance right between the following, sometimes competing, challenges:

- Maintaining/Improving Service Levels
- Improving Performance
- Savings and Efficiencies
- Prudent Reserves over the LTFP period
- Impact on Council Tax Payers
- National guidelines on Precept increases

5.2 Once the PCC has elected one of the 2 choices outlined within this paper, or if they prefer an alternative option can be developed, then this will be proposed to the Police and Crime Panel by the 31st January 2013 to ensure that the PCC is in line with the legislation and the legislative timeframes.

Michael Porter
Chief Finance Officer for the PCC for Cleveland.

PCC PRECEPT APPROVAL (Final Regulations)

