



Report of the Chief Finance Officer of the PCC to the Police and Crime Commissioner for North Yorkshire

30th January 2018

Status: For Approval

Proposing the 2018/19 Precept

1. Purpose of the Report

- 1.1 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 eight local billing authorities namely, Craven District Council, Hambleton District Council, Harrogate Borough Council, Richmondshire District Council, Ryedale District Council, Scarborough Borough Council, Selby District Council and York City Council to collect this.
- 1.2 Legislation requires the precept for 2018/19 to be set before 1st March 2018. The precept on each of the eight billing authorities is set taking account of their individual surpluses/deficits on collection funds.
- 1.3 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 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.
 - The PCP are required to issue a report to the PCC on the proposed precept, by the 8th February 2018, including any recommendations that they may have on the proposal and also whether they have voted to veto the proposal.
- 1.4 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.

- 1.5 If the PCP do not veto the proposed precept:
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.
- 1.6 If the PCP veto the proposed precept then the PCC must not issue the precept and further steps must be undertaken in line legislation. Further information will be provided on this should it be necessary.
- 1.7 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.

2. Financial Background

2.1 Provision Police Funding Settlement 2018/19

The Provisional 2018-19 Police Finance Settlement was announced in an oral statement by the Minister for Policing and the Fire Service Nick Hurd MP on Tuesday 19 December. This was followed by a written ministerial statement shortly after. Full details of the settlement can be found on the Home Office pages of the gov.uk website.

Headlines

2.2 The main points within the provisional settlement are as follows:

- Precept flexibility to increase the level of Band D precept by up to £12 for all PCCs (or equivalents) in 2018-19 without triggering a referendum
- Flat cash grant funding (i.e. the same allocations as in 2017-18 for Home Office Core Police Settlement)
- Updated assumptions around tax base growth – now assuming tax bases with grow by 1.34% in England.
- Including these assumptions on council tax and based on the 1.5% GDP deflator (the Government measure of inflation), the resulting settlement, including council tax, represents a “real terms” increase for all between 2017-18 and 2018-19
- £450m additional funding for the service – includes £130m additional reallocation and approximately £147m as a result of additional council tax flexibilities.
- £50m additional counter Terrorism funding and the remaining £123m can be considered as “new money”.

- The minister's letter to PCCs refers to this additional funding in addition to identified efficiency savings of up to £100m (procurement) to enable "appropriate provision for likely cost increases next year".

Government Funding for 2018/19 and beyond

- 2.3 Nick Hurd's letter and statement both state the Home Office's intention to offer greater certainty on plans for 2019-20. Their intention is to maintain a broadly flat Government Grant settlement with the same precept flexibility but this is dependent on progress against a number of efficiency milestones to be agreed in the New Year.
- 2.4 The Police Formula review is now unlikely to be revisited until the next spending review.
- 2.5 He went on to state that - The increase in 2018/19 funding to PCCs must be matched by a serious commitment from PCCs and chief constables to reform by improving productivity and efficiency to deliver a better, more transparent service to the public. Following my discussions with forces and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), I have three clear priorities:
- 2.6 Seek and deliver further cost efficiencies. I welcome the progress forces have made against the £350m procurement savings target set at Spending Review 2015. However, there is a lot more to do. We have helped to identify £100m of potential savings in areas such as fleet, professional services and construction. Forces will need to make greater use of national procurement through lead forces to make these savings. We are providing support through the Police Transformation Fund and we will also help establish a force-led National Centre of Excellence to drive down back-office costs, and make best use of estates.
- 2.7 A modern digitally enabled workforce that allows frontline officers to spend less time dealing with bureaucracy and more time preventing and fighting crime and protecting the public. If all forces could deliver the same one hour per officer per day of productivity benefits from mobile working as the best in a recent sample with eight forces, this has the potential to free up the equivalent of 11,000 extra officers nationally to provide the proactive policing that committed police officers want to deliver. We will work with policing to set up a specialist team to make sure all police forces have access to, and make use of, the best mobile working apps to enable forces to free up extra hours to spend at the frontline.
- 2.8 Greater transparency in how public money is used locally. It is necessary for police to hold financial reserves, including primarily for contingencies, emergencies and major change costs. As at March 2017 police forces held usable resource reserves of over £1.6bn. This compares to £1.4bn in 2011. Current reserves held represent 15% of annual police funding to PCCs. There are wide variations between forces with Gwent for example holding 42% and Northumbria holding 6%. This is public money and the public are entitled to more information around police plans for reserves and how those plans will support more effective policing. So we will be

improving transparency around reserves in the new year through enhanced guidance and through national publication of comparable reserves data. HMICFRS are also consulting on plans for Force Management Statements, which could make more information on police forces available to the public.

- 2.9 Discussions will be held with police leadership to agree milestones against these priorities that need to be achieved over 2018.
- 2.10 "I have listened to the views of PCCs and Chief Constables, who have requested greater certainty about future funding to help more efficient financial planning. If the police deliver clear and substantial progress against the agreed milestones on productivity and efficiency in 2018, then the Government intends to maintain the protection of a broadly flat police grant in 2019/20 and repeat the same flexibility of the precept, i.e. allowing PCCs to increase their Band D precept by a further up to £12 in 2019/20."

3. Consultation with the Public

- 3.1 To further inform my decision around the proposed precept for 2018/19 consultation has been undertaken with the Public to ascertain their feedback and thoughts on this subject.
- 3.2 The results of consultation with the public of North Yorkshire in relation to the level of precept for 2018/19, which had 2,212 responses, which is over 40% more than 2017/18, has resulted in 75% of the public of North Yorkshire supporting an increase.

	Telephone (n=728)	Online (n=1,412)	Total (n=2,140)
Freeze	20%	28%	25%
Increase by 1.99%	74%	64%	68%
More than 1.99%	6%	8%	7%
Increase by £12	67%*	56%*	62%*

* Telephone n=604 / Online n=577 / Total n=1181 due to question being included part-way through consultation following government announcement

- 3.3 Those who approved an increase were also asked how much more they would be willing to pay:
- More than £10 per year – 17% telephone, 26% on-line
 - £5-10 per year – 53% telephone, 43% on-line
 - Up to £5 per year – 30% telephone, 31% on-line
- 3.4 Once the £12 option had been approved by government, this was also added to the consultation and 62% said that they would be happy to pay £12.

- 3.5 In looking at the public opinion, a clear majority support an increase to the precept. Of those who answered before the £12 question was added a majority supported a rise of up to £10. Since then a majority support an increase to £12. As this is not a significant difference and given the support for this, I believe it is acceptable to suggest that the majority of all respondents would support a £11.50 increase.
- 3.6 The consultation was undertaken in numerous ways. An open online survey was carried out as well as a telephone survey of a representative sample. The open survey was publicised on the Police and Crime Commissioner’s website and social media, and via leaflets located in libraries and other locations in communities. The results of the consultation can be seen in Appendix 1.

4. Financial Implications

4.1 The Tax Base

The eight local Councils have notified the PCC of their tax bases for 2018/19 as set out in the table below:

Tax Base	2018/19	2017/18
	Net Tax Base	Net Tax Base
Craven District Council	22,455	22,093
Hambleton District Council	36,033	35,640
Harrogate Borough Council	61,898	61,480
Richmondshire District Council	19,608	19,607
Ryedale District Council	21,581	21,277
Scarborough Borough Council	38,007	37,624
Selby District Council	30,837	30,568
York City Council	66,671	65,570
Total	297,090	293,858
Annual Increase	3,231	
Percentage Increase	1.10%	

- 4.2 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.
- 4.3 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.
- 4.4 As can be seen from the table above the number of Band D equivalent properties across North Yorkshire has increased in 2018-19, in comparison to 2017-18, by 3,231 – this equates to an increase of 1.10%. This is the smallest increase in the last 5 years.

4.5 The financial impact of this permanent increase in the number of calculated Band D properties of 3,231 is a recurring increase in precept funding of £754k from 2018/19 onwards, which has helped to reduce budget reductions and savings.

4.6 The 2018/19 tax base is therefore 297,089.53 Band D Equivalent properties.

4.7 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)	£
Craven District Council	99,141
Hambleton District Council	13,278
Harrogate Borough Council	23,014
Richmondshire District Council	(37,167)
Ryedale District Council	29,700
Scarborough Borough Council	171,288
Selby District Council	93,559
York City Council	286,654
Net Surplus on Collection Fund	679,467

4.8 The surpluses/deficit 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.

4.9 In the 6 years prior to the Localisation of Council Tax benefits, the overall surplus on the collections funds of the 8 Councils, averaged just under £140k per annum. In the following 5 years the collection surpluses have been as follows:

- 2014/15 - £385k
- 2015/16 - £757k
- 2016/17 - £971k
- 2017/18 - £993k
- 2018/19 - £679k

4.10 This results, in part, from continued house building, changes made to Localisation of Council Tax benefit schemes, a review of single person discounts 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 £400k per annum across the eight councils.

4.11 Financial Summary

Net Budget Requirement

Based on the proposed precept increase of £11.50 the Net Budget Requirement (NBR) for 2018/19, in comparison to 2017/18, is set out in the table below:

Funding the Net Budget Requirement	2018/19	2017/18	(Increase)/Reduction	%age Change
	£000s	£000s	£000s	
Funding				
Police Grant	(41,100)	(41,100)	0	0.0%
RSG/National Non Domestic Rate	(26,662)	(26,662)	0	0.0%
Total Formula Funding	(67,762)	(67,762)	0	0.0%
Net Surplus on Collection Funds	(679)	(993)	313	-31.6%
Council Tax Freeze Grant	(2,152)	(2,152)	0	0.0%
Council Tax Support Grant	(5,746)	(5,746)	0	0.0%
Council Tax Requirement	(69,168)	(65,037)	(4,132)	6.4%
Net Budget Requirement	(145,508)	(141,689)	(3,818)	2.7%

4.12 As can be seen from the above the NBR is expected to increase in 2018/19, by £3.8m (or 2.7%,) if the precept is increased by £11.50. While this is better than the organisation was planning, it is worth noting that this increase is absorbed by unavoidable additional costs to the organisation in 2018/19, in comparison to 2017/18, primarily from 2% National Pay Awards and more general inflation, where CPI is currently 3.0% and RPI 4.1%.

4.13 Therefore despite a better funding position than previously forecast there is still a need for the organisation to generate savings, to not only balance the budget but also to aid investment in priority areas. Any change to the proposed £11.50 increase in precept would therefore increase the savings needed and/or require reduced services.

4.14 Precept Calculations

The final precept calculations are set out in the tables below based on a £11.50 increase:

Proposed Precepts - £11.50 Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Craven District Council	5,327,114	99,141	5,227,973
Hambleton District Council	8,402,493	13,278	8,389,215
Harrogate Borough Council	14,434,027	23,014	14,411,013
Richmondshire District Council	4,527,851	(37,167)	4,565,018
Ryedale District Council	5,054,275	29,700	5,024,575
Scarborough Borough Council	9,020,043	171,288	8,848,755
Selby District Council	7,273,029	93,559	7,179,470
York City Council	15,809,020	286,654	15,522,366
Total Precept	69,847,851	679,467	69,168,384

- 4.15 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. £69,168,384 by 297,089.53 giving a council tax rate for Band D properties of £232.82.
- 4.16 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 also shows the increases for each Band in comparison to 2017/18. It is advised that the tax rates should be calculated to more than 2 decimal places.

Council Tax Band Amounts and Increases				
	£11.50 increase			
Property Band	2018/19	2017/18	Increase per Annum	Increase per Week
	£	£	£	£
A	155.213	147.547	7.67	0.15
B	181.082	172.138	8.94	0.17
C	206.951	196.729	10.22	0.20
D	232.820	221.320	11.50	0.22
E	284.558	270.502	14.06	0.27
F	336.296	319.684	16.61	0.32
G	388.033	368.867	19.17	0.37
H	465.640	442.640	23.00	0.44

Police Precept Consultation Results 2018/19

The consultation aimed to understand the public’s view on the amount they should pay in their council tax toward running North Yorkshire Police in 2018/19.

The options consulted on were:

- freeze the amount paid
- increase the amount paid by 1.99%
- increase the amount paid by more than 1.99%

In total 2,212 people responded to the consultation. This included a representative telephone survey of 800 North Yorkshire residents, screened to ensure they were council tax payers and were aged over 18, undertaken by an independent research organisation. This contacted a randomly selected, representative number of people by gender and age in each district or borough. The final number of people contacted in each area was:

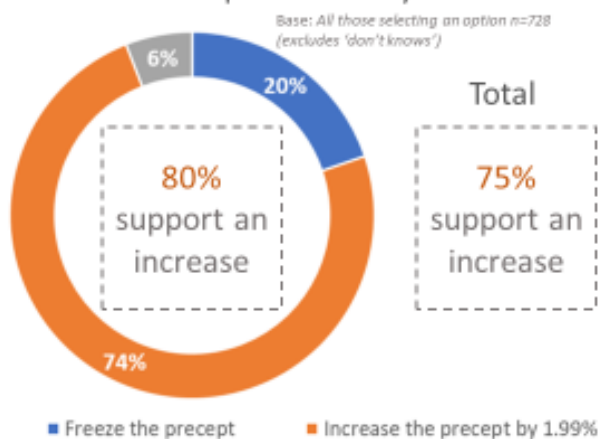
Area	Craven	Hambleton	Harrogate	Richmondshire	Ryedale	Scarborough	Selby	York	Total
Number of People	60	90	165	60	60	106	100	159	800

The other respondents answered an open survey which was publicised on the Police and Crime Commissioner’s website and social media, and via leaflets located in libraries and other locations in communities. The public could respond via post, phone, email or online survey.

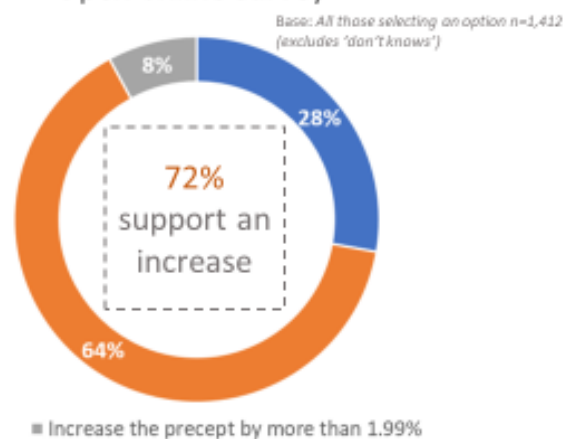
The results show that a clear majority favour a 1.99% increase in the policing precept as can be seen below. As the charts show, the results from the open survey and the representative sample provide similar results.

Q Which of these statements best reflects your views?

Representative telephone survey

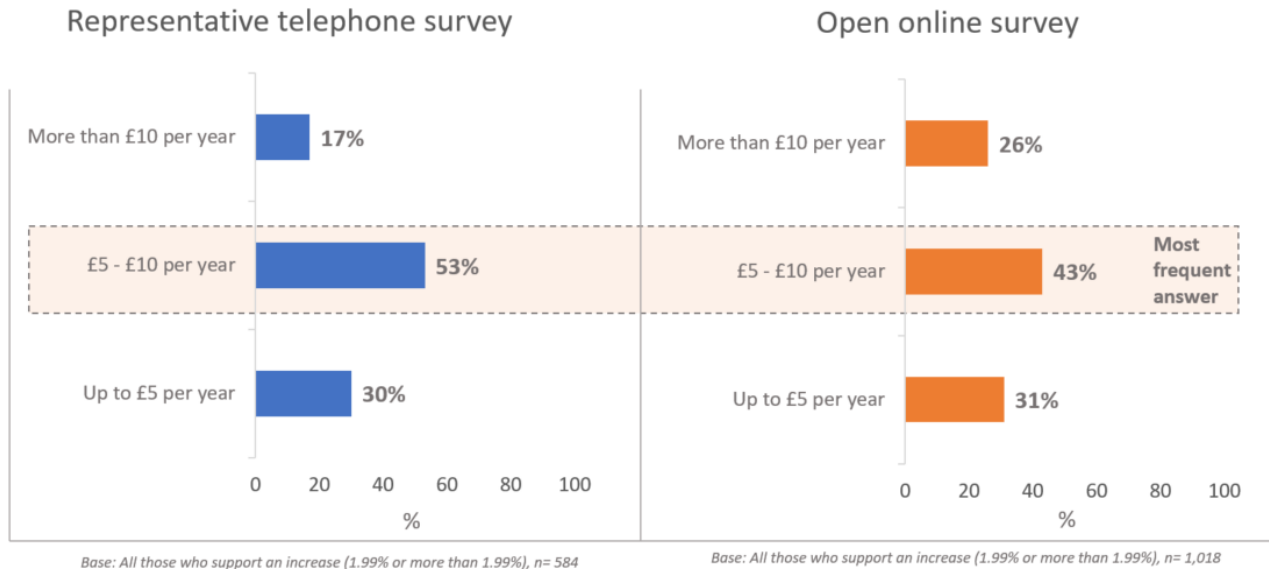


Open online survey



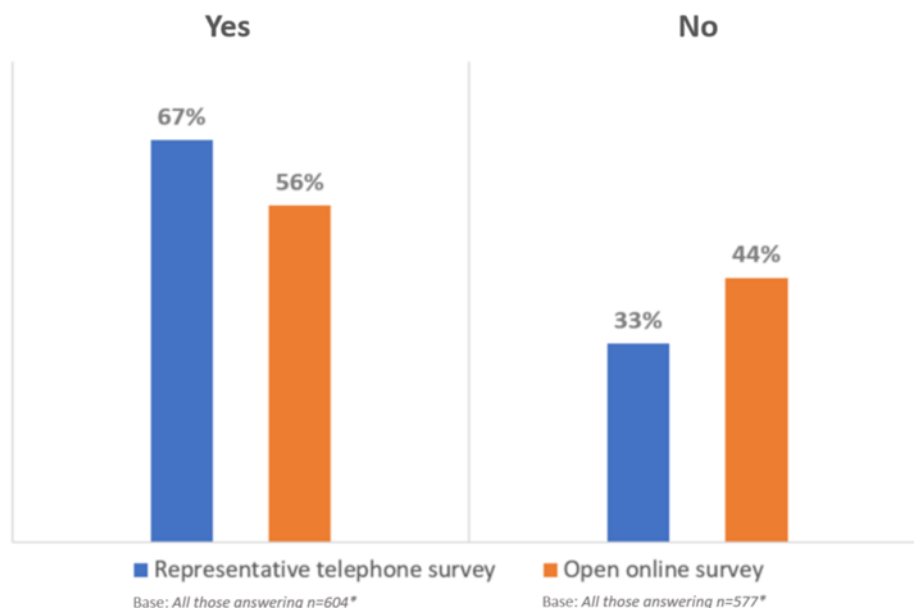
Those who supported an increase were asked how much more they would be prepared to pay per year. As the chart below shows, the most frequent answer was to pay between £5 and £10 more.

Q In the future how much more would you be prepared to pay per year, through you council tax, for policing in North Yorkshire?



In mid-December (part way through fieldwork), the Government announced that it would be empowering locally elected Police and Crime Commissioners to raise council tax contributions by up to £1 per month per household. The majority would be prepared to pay £12 more per year.

Q Police and Crime Commissioners have been given the flexibility to raise the precept by £12 per year (£1 per month) (based on a Band D property). Would you be prepared to pay this?



**This question was added to the survey part way through fieldwork following the Government's announcement.*