

Report of the Chief Finance Officer of the PFCC to the Police, Fire and Crime Commissioner for North Yorkshire

31st January 2019

Status: For Approval

Proposing the 2019/20 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 2019/20 to be set before 1st March 2019. 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 2019.
 - 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 2019, 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 Police Funding Settlement 2019/20

The Final 2019-20 Police Settlement was announced in a written ministerial statement by the Minister for Policing and the Fire Service Nick Hurd MP on Thursday 24 January 2019. Full details of the settlement can be found on the Home Office pages of the gov.uk website.

2.2 Headlines

The main points within the settlement are 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".

2.3 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.

2.4 £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.

2.5 New Requirements - The minister's letter refers to the requirement to "drive efficiency, productivity and effectiveness".

2.6 It is important to reflect that this increase in funding does not reflect the significant increased Pension costs that have been passed to Forces to pay from 2019/20 onwards.

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

The 2019-20 settlement provides more funding than had been previously expected. A letter to the Home Affairs Select Committee (HASC) outlines the Policing Minister's 4 priority areas to "drive efficiency, productivity and effectiveness next year":

- Continued efficiency savings in 2019-20 through collective procurement and shared services. There will be an expectation that every force contributes substantially to procurement savings and the Home Office will be working with the police to agree the "right force level objectives for 2019-20 and 2020-21".
- Major progress expected to resolve challenges in investigative resource identified by HMICFRS, including recruitment of more detectives to tackle the shortfall.
- Continue to improve productivity, including smarter use of data to deliver £50m of productivity gains in 2019-20.
- Maintain a Serious and Organised Crime response that spans identification and management of local threats as well as support for national priorities.

2.8 What does this mean for North Yorkshire in 2019/20 in terms of Funding and Costs?

- An increase in Police Grant of £1,423k or 2.1%
- A Pension's Grant of £1,449k

HOWEVER

- The impact of Police Pension changes to North Yorkshire is £3.6m

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.

2.9 In real terms therefore this is a further cut to Government Funding of circa £2.2m.

2.10 Based on the increase in precept being proposed then the overall impact on the Core funding for the organisation, taking into account the additional Pensions costs is set out in the table below:

Funding the Net Budget Requirement	2019/20	2018/19	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
<u>Government Funding</u>				
Police Grant	(41,994)	(41,100)	(894)	2.2%
RSG/National Non Domestic Rate	(27,191)	(26,662)	(529)	2.0%
Council Tax Freeze Grant	(2,152)	(2,152)	0	0.0%
Council Tax Support Grant	(5,746)	(5,746)	0	0.0%
Total Government Funding	(77,083)	(75,660)	(1,423)	1.9%
Additional Police Pensions Grant	(1,449)	0	(1,449)	
Additional Police Pension Contributions	3,600	0	3,600	
Actual Impact of Settlement changes	(74,932)	(75,660)	728	-1.0%
Impact of a £23.95 increase in Band D Precept - 10.3% increase				
Net Surplus on Collection Funds	(318)	(492)	175	-35.5%
Council Tax Requirement	(77,296)	(69,168)	(8,128)	11.8%
Total Local Funding	(77,614)	(69,661)	(7,953)	11.4%
Total Government + Local Funding	(152,546)	(145,320)	(7,225)	5.0%

2.11 How does North Yorkshire compare to the National Picture

2.12 Setting aside the additional Pension Costs, the government has stated that the settlement, including council tax (assuming a £24 increase for a Band D property) and pension grant, represents an average cash increase (total funding) of 7.2% between 2018-19 and 2019-20.

2.13 It is important to recognise that these increases do not take into account the additional Pension Costs, only the additional Pensions Grant.

- 2.14 Based on these assumptions North Yorkshire would fare better than average with a 7.65% increase. This is the equivalent to an additional £600k more than the average Police Force Area.
- 2.15 The range in percentage increases (assuming all PCC's increase their precept by £24 for a Band D property) range from an increase of 5.77% in Cleveland to 8.48% in Hertfordshire.
- 2.16 Government Funding for 2020/21 and beyond
- 2.17 There was no further mention of future settlements other than to repeat "this is the last settlement before the next Spending Review, which will set long term police budgets and look at how resources are allocated fairly across police forces. The Home Office is grateful to the police for the good work they are doing to build the evidence base to support that work, and we will also want to see evidence that this year's investment is being well spent."
- 2.18 There are no plans to review the Police Allocation Formula until after the Spending Review. The reference to looking at "how resources are allocated fairly across police forces" is likely to refer to the ongoing work between the Home Office and the Police Sector to support the submission to the Spending Review. There are work streams investigating funding streams and funding models – i.e. regional/local arrangements but no plans yet to review the current police allocation formula.
- 2.19 Risks and Additional Pressures that North Yorkshire may face
There are a number of areas, beyond the results of the Public Consultation, which are worth the PFCC considering before making a decision in relation to the level of Precept to propose for consideration by the Police and Crime Panel for 2019/20. These are set out in following paragraphs:
- 2.20 Police Allocation Formula
Each 1% of reduction that results from the funding formula review would reduce the government grant received by North Yorkshire by approximately £700k per annum. In terms of assessing the likely risk from a revised funding formula, the 'Simplified Funding Formula' that was initially proposed for implementation in 2016/17 would have seen the government grant available to North Yorkshire reduce by approximately £3.5m to £4.0m per annum on a recurring basis.
- 2.21 Comprehensive Spending Review
It is likely to be difficult for Policing as a service to make the case that they need more funding if they have the opportunity to raise more money through the Precept but decided either than they didn't need it or wouldn't.
- 2.22 From a North Yorkshire specific perspective it might be difficult to make the case as part of the review on any Funding Formula that Policing in North Yorkshire either needs as much as it currently receives from the Funding Formula or should receive more if the opportunity to raise funds via the precept are not taken.

2.23 ESMCP

The Home Office (HO) are leading a national programme to deliver a replacement for the current Airwave system. This new system is called the Emergency Services Network (ESN).

2.24 The Programme is known as the ESMCP – (Emergency Services Mobile Communications Programme) and will oversee this updated system implementation for the three emergency services (police, fire & ambulance) and other public safety users (over 300 active user organisations).

2.25 ESMCP will see a fundamental change to how each force will receive critical voice and mobile broadband as part of a national Emergency Service Network for the UK.

2.26 The scope and complexity of the ESN roll out will have a significant impact on North Yorkshire Police. It will require a force-wide review of any plans or considerations for refreshing or awarding contracts in the areas of airwave, mobile data, mobile telephony, network replacement (or any equipment that has a SIM card, a network connection and a monthly charge), together with due consideration for collaborative and operational arrangements that the transition may impact upon.

2.27 Both the timing and costs of this programme of work are very difficult to assess as both have moved and continue to move significantly. The latest set of figures would suggest costs to North Yorkshire Police of circa £5.2m across the life of the MTFP.

2.28 Currently the MTFP does not specifically provide for any of these costs and should they prove to be in addition to the currently budgeted spend in the areas of airwave, mobile data, mobile telephony, network replacement (or any equipment that has a SIM card, a network connection and a monthly charge) then these costs will need to be funded from within current resources.

2.29 Police Pay

It was announced in September 2018 that Scottish police officers would receive an immediate 6.5% pay increase backdated to 1 September 2018 and which applies until 31 March 2021.

2.30 Given that Police Officers in England and Wales received a pay increase that, in reality, was worth less than 1% in September 2018 then there is likely to be some significant pressure for a better pay increase from September 2019.

2.31 There are a number of scenarios currently being modelled and all of these would cost more than the currently budgeted position of 2% increases per annum across the life of the MTFP.

2.32 All of these scenarios would cost more in 2019/20 – between £0.7m and £1.1m and across a 3 year period would cost more by between £1.5m and £2.5m.

2.33 Should any of these scenarios materialise then savings/reductions would need to be made to meet these costs. There will be no additional funds from the government

to meet these costs – the Government have been clear in the recent past that the additional precept flexibility that they have provide to PCC's would need to cover any pay awards.

2.34 Staff Pay

While the above risk arises because of the settlement in Scotland it is also important to recognise that it would be very challenging to agree a Pay deal for 'Staff' that wouldn't be along similar lines.

2.35 All of this scenarios being looked at for Police, if then applicable to Staff would similarly costs more in 2019/20 than budgeted – between £0.4m and £0.7m and across a 3 year period would cost more by between £0.9m and £1.5m.

2.36 To mitigate the risks of the potential costs from both ESMCP and Pay Awards would require an increase in precept of between £7 and £9 on top of the £12 required to balance the current budget.

2.37 The Funding Formula is more of an unknown quantity at this stage and unlikely to have any impact before 2021/22 and therefore while the organisation needs to be mindful of this it is perhaps an area that will need to be addressed in the future

2.38 Gaps in Service Delivery and Neighbourhood Policing

Over the last few years there has been significant investment in those areas that are assessed as those providing the greater areas of Threat, Risk and Harm, this included a £3m strategy to improve protection for vulnerable people that was announced in 2016. The recent Neighbourhood Policing Survey provided a timely reminder however of the concerns that the public have about the erosion of local policing services in North Yorkshire. The summary findings of the survey were that:

- Overall, residents feel less safe than they did a year ago
- 40% of people feel crime and anti-social behaviour is getting worse in their area
- Policing comes at the bottom of the list when residents are asked to rate local public services
- Less than one third of people are satisfied with the level of police presence in their area
- Scarborough and Richmondshire are standout areas for good practice and community confidence
- There is support for partners to take more action over mental health related issues
- Communities feel they should be given a greater say on resolving anti-social behaviour issues in their area

2.39 In response to these concerns, and the strategic direction of the PFCC to deliver the 'Reinforcing the Front Line' goal set out in the Police and Crime Plan, the Force have drawn up plans to address the areas that were raised within this survey and have proposed the following:

- Community Resilience Teams with a visible presence dedicated to prevention and facilitating multi agency working.

- Mental Health Coordinators to support our most vulnerable residents and reduce the need for emergency secondary interventions
- Increased and structured engagement with communities to understand what matters to the place with a focus on volume acquisitive crime and volume offenders. Subsequently this will reduce the fear of crime through increased traditional community presence and engagement. This would include:
 - Integrated Offender Management
 - Uniformed Officers focused on volume acquisitive crime and volume crime prevention and engagement
 - Bail Management
- Creation of a Public Safety Officer across public sector organisations.
- Online PCSOs to provide prevention advice and support investigations such as online crime
- A City Task Force, focused on primary interventions to ensure that our more urban communities problems are being solved

To deliver these proposals would result in an increase in both Police Officers (50 FTEs) and PCSO and Community Safety Staff (20 FTEs) and once fully implementing would costs in the region of £3.3m on an annual basis. These are the priority areas, in terms of where the additional precept funding would be invested. Ideally those risks and potential costs identified elsewhere would be funded from the internal savings and transformation programme and the additional precept would be focussed on spend in this vital area.

The Commissioner will be closely holding the Force to account to ensure that this investment improves those priority areas identified above and this then helps improve the areas of public concerns that have been highlighted

3. Consultation with the Public

3.1 To further inform the decision around the proposed precept for 2019/20 consultation has been undertaken with the public to ascertain their feedback and thoughts on this subject.

3.1 In total, 2,741 responses were received from North Yorkshire residents. The consultation was undertaken in numerous ways. A representative telephone survey was conducted, supported by an open, online survey. The open survey was publicised on the Police, Fire and Crime Commissioner’s website and promoted via social media. Leaflets located in libraries and other accessible locations across North Yorkshire further promoted the survey as well as providing a paper-based return option. The results of the consultation are detailed in Appendix 1.

3.2 The results of consultation with the public of North Yorkshire in relation to the level of precept for 2019/20, which had 2,741 responses, which is 24% more than 2018/19, has resulted in 65% of the telephone survey and 68% of the Open On-Line survey supporting an increase.

3.3 A summary of the results is shown below with more than two-thirds (67%) support an increase in the police precept of at least £11.50. Over a third (37%) opted for an increase in excess of the £11.50, up to the cap of £24 (includes those who said ‘more than £24’).

	Telephone (n=975)	Online (n=1732)	Total (n=2707)
Freeze	35%	32%	33%
£11.50 as per last year	34%	28%	30%
£11.50 - £24	24%	24%	24%
More than £24	7%	16%	13%
TOTAL who support an increase	65%	68%	67%

*figures may not add to 100% due to rounding

3.4 In looking at the public opinion, a clear majority support an increase to the precept.

3.5 To estimate the level of increase those who opted for an increase would be prepared to pay, a Weighted Average calculation was undertaken based on the level of support for an increase of £11.50, an increase of £24 and an assumption that those who opted for an increase above £24 would be prepared to pay £3 per month more – so a £36 increase.

3.6 This calculation produced a Band D increase of £20.73 per annum.

4. Financial Implications

4.1 The Tax Base

The eight local Councils have notified the PCC of their tax bases for 2019/20 as set out in the table below:

Tax Base	2019/20	2018/19
	Net Tax Base	Net Tax Base
Craven District Council	22,525	22,455
Hambleton District Council	36,847	36,033
Harrogate Borough Council	62,461	61,898
Richmondshire District Council	19,831	19,608
Ryedale District Council	21,812	21,581
Scarborough Borough Council	38,397	38,007
Selby District Council	31,395	30,837
York City Council	67,706	66,671
Total	300,974	297,090
Annual Increase	3,884	
Percentage Increase	1.31%	

- 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 2019-20, in comparison to 2018-19, by 3,884 – this equates to an increase of 1.31%.
- 4.5 The financial impact of this permanent increase in the number of calculated Band D properties of 3,884 is a recurring increase in precept funding of just over £1m from 2019/20 onwards, which has helped to reduce budget reductions and savings.
- 4.6 The 2019/20 tax base is therefore 300,974.02 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	98,173
Hambleton District Council	51,240
Harrogate Borough Council	(41,002)
Richmondshire District Council	(12,905)
Ryedale District Council	(13,500)
Scarborough Borough Council	168,843
Selby District Council	(23,020)
York City Council	89,709
Net Surplus on Collection Fund	317,538

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 6 years the collection surpluses have been as follows:

- 2014/15 - £385k
- 2015/16 - £757k
- 2016/17 - £971k
- 2017/18 - £993k
- 2018/19 - £492k
- 2019/20 - £318k

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 £23.95 the Net Budget Requirement (NBR) for 2019/20, in comparison to 2018/19, is set out in the table below:

Funding the Net Budget Requirement				
	2019/20	2018/19	(Increase)/Reduction	%age Change
	£000s	£000s	£000s	
Funding				
Police Grant	(41,994)	(41,100)	(894)	2.2%
RSG/National Non Domestic Rate	(27,191)	(26,662)	(529)	2.0%
Total Formula Funding	(69,185)	(67,762)	(1,423)	2.1%
Net Surplus on Collection Funds	(318)	(492)	175	-35.5%
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	(77,281)	(69,168)	(8,113)	11.7%
Net Budget Requirement	(154,681)	(145,320)	(9,361)	6.4%

- 4.12 There is an increase in the Funding for Net Budget Requirement available to the PCC of £9.4m based on a £23.95 increase in precept. This equates to an increase of 6.4% however this increase should also be seen in the context of the additional payments that are required into the Police Pension fund of £3.6m per annum (which has only been mitigated by a £1.4m grant) plus unavoidable increases in the expenditure of the organisation where Pay Awards, which cover around 75% of current expenditure, are increasing by at least 2% per annum and current inflation in the wider economy is running at 2.1% (CPI) and 2.7% (RPI).
- 4.13 Should the precept increase of £23.95 not occur, which provides additional funding of £7.2m, then the financial challenges will increase and further reductions will need to be found. Any increase in precept below £12 would result in a budget that currently wouldn't balance and therefore further cuts in service/savings would be required.
- 4.14 Each £1 increase above £12 provides £300k on a recurring basis to invest in Policing services within North Yorkshire and/or mitigates the likelihood of cuts/reductions in service should some of the risks highlighted in sections 2.20 to 2.39 materialise.

4.15 Precept Calculations

The final precept calculations are set out in the tables below based on a £23.95 increase:

Proposed Precepts - £23.95 Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Craven District Council	5,881,917	98,173	5,783,744
Hambleton District Council	9,512,501	51,240	9,461,261
Harrogate Borough Council	15,997,035	(41,002)	16,038,037
Richmondshire District Council	5,079,106	(12,905)	5,092,011
Ryedale District Council	5,587,111	(13,500)	5,600,611
Scarborough Borough Council	10,028,041	168,843	9,859,198
Selby District Council	8,038,323	(23,020)	8,061,343
York City Council	17,474,604	89,709	17,384,895
Total Precept	77,598,637	317,538	77,281,099

4.16 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. £77,281,099 by 300,974.02 giving a council tax rate for Band D properties of £256.77.

4.17 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 2018/19. It is advised that the tax rates should be calculated to more than 2 decimal places.

Council Tax Band Amounts and Increases				
	£23.95 increase			
Property Band	2019/20	2018/19	Increase per Annum	Increase per Week
	£	£	£	£
A	171.180	155.213	15.97	0.31
B	199.710	181.082	18.63	0.36
C	228.240	206.951	21.29	0.41
D	256.770	232.820	23.95	0.46
E	313.830	284.558	29.27	0.56
F	370.890	336.296	34.59	0.66
G	427.950	388.033	39.92	0.77
H	513.540	465.640	47.90	0.92

Precept Consultation Results 2019/20

Approach

The Police, Fire and Crime Commissioner’s precept consultation aimed to understand how much the North Yorkshire public would be prepared to pay via their council tax for policing and separately for the fire and rescue service next year (2019/20).

A representative telephone survey was undertaken with 1000 North Yorkshire residents, screened to ensure respondents were council tax payers, aged over 18. Quotas were set by gender, age and district to reflect the demography of North Yorkshire. The telephone interviews were undertaken by an independent market research company. In addition, an online, self-completion survey was publicised on the Police, Fire and Crime Commissioner’s website and promoted via social media and leaflets distributed to libraries and other public buildings. Residents could respond via post, phone, email or the online survey resulting in a further 1,741 responses. Combined, the total number of participants was 2,741. The consultation period ran from 8th December 2018 to 20th January 2019.

All districts were well represented:

Area	Craven	Hambleton	Harrogate	Richmondshire	Ryedale	Scarborough	Selby	York	Total
Responses	175	398	543	284	324	305	249	463	2741
% of Total	6%	15%	20%	10%	12%	11%	9%	17%	100%

Results

The results of the consultation have been analysed by methodology type (representative telephone survey vs open online survey) and are very similar.

Those who support a freeze for the fire and rescue precept are extremely likely (91%) to suggest a freeze for policing. There is a strong correlation between the amount people are prepared to pay and household income with lower income households most likely to opt for a freeze in both precepts and higher income households prepared to pay in excess of the caps.

Policing

The options, based on a Band D property were:

- **No more than you pay now – a precept freeze.** This would mean a real terms cut to the police budget when inflation is taken into account
- **As per last year – an extra £11.50 per year** for a Band D property raising £3.5m
- **Between £11.50 and £24** – raising up to £7m
- **More than £24** - raising more than £7m

Over two-thirds of respondents (67%) were prepared to pay an increase of at least £11.50 in their council tax for policing next year. This correlates directly with responses from the precept survey last year where there was support amongst two-thirds of residents for a £12 increase. In this survey, over a third (37%) would pay in excess of the £11.50, up to the cap of £24. (31% telephone survey and 40% online).

Q How much more would you be prepared to pay per year through your council tax for policing?

