

**Report of the Chief Executive to the Chair and Members  
of the Police Authority Executive  
25<sup>th</sup> February 2010**

**Executive & Presenting Officer: Mr Joe McCarthy, Chief Executive**

**Status: For Decision**

**Setting the 2010/11 Precept**

**1 Purpose**

- 1.1 This report is one of a set of six that are on today's agenda for consideration by Members:
- Robustness of Estimates & Adequacy of Financial Reserves
  - Prudential Indicators & Treasury Management Strategy 2010/14
  - Minimum Revenue Provision Strategy 2010/11
  - 2010/11 Budget and LTFP 2011/15
  - 2010/11 Capital Programme & Outline Capital Plan 2011/14
  - Setting the 2010/11 Precept
- 1.2 These reports are part of the process introduced by the Authority to establish sustainable annual and long term financial plans and maintain prudent financial management.
- 1.3 This report establishes the Council Tax Base and proposes a 2.94% increase in the precept for the forthcoming year based on an increase in Net Budget Requirement of 2.6%.
- 1.4 This proposal is consistent with the 2010/11 Budget and Long Term Financial Plan 2011/14 paper that is also on today's agenda.
- 1.5 Legislation requires that the Police Authority agree its budget and associated precept and basic council tax for the forthcoming year before 1<sup>st</sup> March 2010.

## 2 Recommendations

Members are asked to agree:

- 2.1 The Net Budget Requirement for 2010/11 as £132,172k.
- 2.2 The funding for the Net Budget Requirement for 2010/11 as:
- |                                   |                  |
|-----------------------------------|------------------|
| ▪ Police Grant                    | £50,149k         |
| ▪ Revenue Support Grant/NNDR      | £49,953k         |
| ▪ Net Surplus on Collection Funds | £191k            |
| ▪ Precept                         | <u>£31,879k</u>  |
|                                   | <u>£132,172k</u> |
- 2.3 The tax base for 2010/11 as 169,716 Band D equivalent properties.
- 2.4 The basic amount of council tax (Band D equivalent) for 2010/11 be set at £187.838.
- 2.5 The following precepts be levied on the four billing authorities:
- |                                      |             |
|--------------------------------------|-------------|
| ▪ Hartlepool Borough Council         | £5,218,425  |
| ▪ Middlesbrough Borough Council      | £7,478,212  |
| ▪ Redcar & Cleveland Borough Council | £8,192,558  |
| ▪ Stockton on Tees Borough Council   | £10,989,972 |
- 2.6 Agree that council tax be set at the following levels:
- |              |          |
|--------------|----------|
| ▪ A 2/3rds   | £125.225 |
| ▪ B 7/9ths   | £146.096 |
| ▪ C 8/9ths   | £166.967 |
| ▪ D 1        | £187.838 |
| ▪ E 1&2/9ths | £229.580 |
| ▪ F 1&4/9ths | £271.322 |
| ▪ G 1&2/3rds | £313.064 |
| ▪ H 2        | £375.676 |

## 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 1<sup>st</sup> March 2010. The precept on each of the four billing authorities is set taking account of their individual surpluses/deficits on collection funds.

3.3 Members' attention is drawn to the following:

- The quorum of the Police Authority Executive is 9 members.
- However, under Section 19 of the Police Act 1996, a decision to issue a precept can only be made if the members approving it constitute at least half the total membership. That is 9 members in the case of Cleveland Police Authority Executive.
- For decisions to be made on the budget and precept, the Act requires them to be made where half of the elected members of the Authority are included in the minimum number of members required for those decisions. That is 5 members in the case of Cleveland Police Authority Executive.

3.4 When formulating the budget strategy for 2010/2011 the Authority has taken account of national and local implications of the current economic recession to establish a prudent budget. The proposed budget seeks to strike a balance between improved service levels and performance, savings and efficiencies, prudent reserves over the LTFP period and, moreover, the implications for council taxpayers. As a result the increase in precept has been contained at 2.94%.

3.5 The Minister for Local Government has recently repeated previous warnings over Council Tax levels, saying "We have made clear that we expect the average Band D council tax increase in England to fall to a 16 year low".

3.6 The Government has already initiated capping action against three police authorities in advance for 2010/11 to limit their council tax increases to around 3%, no other decisions have been taken on capping for 2010/11. However, Ms Follett added:

"I am also putting all authorities on notice that the Government will not hesitate to cap any excessive council tax increases set by individual authorities in 2010/11 and that it would be a mistake for any authority to presume they will not be capped if they stay within the capping principles which applied in 2009/10."

3.7 Net Budget Requirement

The Net Budget Requirement presented to Members earlier in the meeting was as set out in table 1 below.

	<b>£000s</b>
Police Grant	50,149
National Non-Domestic Rate	49,953
<b>Total Formula Funding</b>	<b>100,102</b>
Net Surplus on Collection Funds	191
New Precept	31,879
<b>Net Budget Requirement</b>	<b>132,172</b>

### 3.8 The Tax Base

The four Borough Councils have notified the Authority of their tax bases for 2010/11 as set out in table 2 overleaf.

	<b>2010/11</b>		<b>2009/10</b>	
	Allowance for Non Collection (%)	Net Tax Base	Allowance for Non Collection (%)	Net Tax Base
Hartlepool Borough Council	1.5	27,782	1.5	27,622
Middlesbrough Borough Council	2.0	39,812	2.0	39,945
Redcar & Cleveland Borough Council	1.5	43,615	1.5	43,493
Stockton on Tees Borough Council	2.0	58,508	2.0	57,988
		<b>169,716</b>		<b>169,047</b>

3.9 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.

3.10 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.

**3.11 *Members are asked to agree the 2010/11 tax base as 169,716 Band D Equivalent properties.***

### 3.12 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.

	£
Hartlepool Borough Council	28,286
Middlesbrough Borough Council	(44,213)
Redcar & Cleveland Borough Council	5,296
Stockton on Tees Borough Council	201,164
<b>Net Surplus on Collection Fund</b>	<b>190,533</b>

3.13 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.

3.14 The final precept calculations are set out in table 4 overleaf.

	Unadjusted Precept	Collection Fund Balance	Proposed Precept
	£	£	£
Hartlepool Borough Council	5,246,711	(28,286)	5,218,425
Middlesbrough Borough Council	7,433,999	44,213	7,478,212
Redcar & Cleveland Borough Council	8,197,854	(5,296)	8,192,558
Stockton on Tees Borough Council	11,191,136	(201,164)	10,989,972
<b>Total Precept</b>	<b>32,069,700</b>	<b>(190,533)</b>	<b>31,879,167</b>

3.15 The 'basic amount' of council tax is the rate for a Band D property. It is calculated by dividing the total of the precepts by the total tax base i.e. £31,879,167 by 169,716, giving a council tax rate for Band D properties of £187.838.

**3.16 Members are asked to agree that the basic amount of council tax (Band D equivalent) for 2010/11 be set at £187.838.**

3.17 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. The Office of the Deputy Prime Minister advised that the tax rates should be calculated to more than 2 decimal places.

Property Band	Proportion	Council Tax to 2 Decimal Places	Council Tax to 3 Decimal Places
		£	£
A	2/3rds	125.23	125.225
B	7/9ths	146.10	146.096
C	8/9ths	166.97	166.967
D	1	187.84	187.838
E	1&2/9ths	229.58	229.580
F	1&4/9ths	271.32	271.322
G	1&2/3rds	313.06	313.064
H	2	375.68	375.676

- 3.18 The Office of the Deputy Prime Minister stated that 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 Police Authority with the advice of the Chief Executive.
- 3.19 The impact of the options for increases in council tax is shown in table 6 overleaf.

Property Band	2010/11	2009/10	Increase per Annum	Increase per Week
	£	£	£	£
A	125.225	121.649	3.576	0.07
B	146.096	141.924	4.173	0.08
C	166.967	162.199	4.769	0.09
D	187.838	182.473	5.365	0.10
E	229.580	223.023	6.557	0.13
F	271.322	263.573	7.749	0.15
G	313.064	304.122	8.941	0.17
H	375.676	364.947	10.729	0.21

- 3.20 Although Band D is set by law as the benchmark for council tax calculations, Members will be aware that only a small minority of properties in Cleveland fall into Band D or above. The majority are in Band A, and in such properties households will pay at most 2/3rds of the Band D tax. Across all property bands some households will be eligible for discounts e.g. single person occupancy.

- 3.21 As well as drawing on ongoing consultations with the public, the Authority has undertaken consultations as follows:
- Stakeholder Event – 9<sup>th</sup> December 2009;
  - North East Chamber of Commerce & Industry - 20<sup>th</sup> January 2010;
  - Mayors and Leaders - 10<sup>th</sup> February 2010;
  - Members of Parliament - 12<sup>th</sup> February 2010;
  - Staff Associations - 12<sup>th</sup> February 2010.

## **4 Implications**

### **4.1 Finance**

The draft budget for 2010/11 presented to members today is based on a proposed precept increase of 2.94%

### **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 introduced by the Authority to establish sustainable annual and medium term financial plans and maintain prudent financial management.

### **4.4 Risk**

Failure to set a precept before 1<sup>st</sup> March 2010 would result in an illegal budget.

## **5. Conclusion**

- 5.1 When formulating the budget strategy for 2010/2011 the Authority has taken account of national and local implications of the current economic recession to establish a prudent budget. The proposed budget seeks to strike a balance between improved service levels and performance, savings and efficiencies, prudent reserves over the LTFP period and, moreover, the implications for council taxpayers. As a result the increase in precept has been contained at 2.94%.

**Joe McCarthy**  
**Chief Executive**