



APA Briefing

Police Authority Capping 2008/9

Introduction

1. The Association of Police Authorities (APA) represents all police authorities in England, Wales and Northern Ireland. Police authorities are responsible for setting the strategic direction of their force and holding the Chief Constable to account for the policing delivered. They are responsible for determining the budget and setting the precept raised from the council tax. **Police authorities have a legal duty to ensure efficient and effective policing in their area.**
2. This briefing sets out the APA's views on the proposals to cap police authority council tax precepts.

Background

3. In announcing the final grant settlement for 2008/09 the Local Government Minister reiterated the Government's expectation that average council tax increases in England should be substantially below 5%. He went on to say that any authority that proposed an increase of more than 5% would risk being capped.
4. The Government's current capping powers are contained in the Local Government Act 1999. This allows Ministers to determine criteria for judging whether a local or police authority's budget requirement is 'excessive'. The criteria will obviously include the increase in the council tax. Authorities caught by the criteria have 21 days to argue why their budget is not excessive. If the Government decides that an increase is excessive it has two options:
 - **Designation** - requires the authority to set a lower precept for 2008/09 involving re-billing (at substantial costs) and in-year budget reductions.
 - **Nomination** - the government sets a lower notional amount for 2008/09 which will represent the baseline for capping in the following year. This could lead to designation of a maximum budget for 2009/10.
5. The Government has said it intends to cap the following police authorities:

Police Authority	Budget Increase%	Precept Increase %	Estimated Re-Billing Costs
Cheshire	6.66%	17%	£1.2m
Lincolnshire	28.97%	78.86%	£250,000 - £500,000
Leicestershire	6.46%	15.43%	£1.5m
Surrey	6.70%	9.72%	£600,000
Warwickshire	6.62%	12.87%	£500,000 - £1m
Bedfordshire	5.29%	9.6%	£500,000
Norfolk	5.30%	8.3%	£1m

APA Position

6. **The APA strongly opposes council tax capping** on principle because it interferes with the proper exercise of local discretion by independent local police authorities. Although police authority members are not directly elected to the authority, there are substantive accountability mechanisms for police authorities' budget decisions:
- Firstly, a majority of members on each authority are **locally elected councillors** appointed by local people. The police authority's budget must by law be approved by a majority of the elected councillors on the police authority.
 - Secondly, the independent and magistrate members of police authorities, who are also drawn from the local community, help enhance the diversity of the overall membership and bring a relevant further dimension to the budget considerations.
 - Finally police authorities consult widely about their budget options with their communities and other partners, such as local authorities, as well as with business rate payers. Such consultation regularly shows that local people are willing to pay more council tax for the police in return for identifiable improvements in policing.
7. The APA recognises that the Government considers that it has a duty to protect council taxpayers from excessive increases. However, the APA believes that there are a number of reasons why police authorities should be allowed greater flexibility than local government in general. This view was recently endorsed by the House of Commons Home Affairs Committee in its Fourth Report of the 2006/07 session, "**Police Funding**". The differences between police authorities and other local authorities which support the need for greater flexibility for police authorities are set out below.

Single service authorities

8. Police authorities are single service authorities and as such have less room for manoeuvre in addressing financial restrictions. Since everything contributes to delivering the police service there is less scope for identifying lower priority services. Furthermore around **85% of police costs relate to staff of whom the great majority are police officers, community support officers and specialist support staff**. Therefore any substantial requirement to make savings will inevitably involve reductions in police officer numbers.

High 'Gearing'

9. Police authorities receive a higher proportion of their funding by way of government grant than the rest of local government. Grant represents about 80% of total police authority funding and this generates a relatively high 'gearing' on the police element of the council tax. A modest percentage increase in expenditure can result in a substantial percentage change in the council tax.
10. This means that on average a 1% increase in total police expenditure entirely funded from precept would require a 5% increase in the police element of council tax. Limiting police authorities to a low percentage increase in precept is therefore more restrictive on them than is the same limitation applied to other local authorities.

Overall impact

11. The police precept is a small fraction (generally less than 10%) of the overall council tax. A 10% increase in the police precept amounts on average to about 30p a week at Band D and will add less than 1% to the total council tax demand. The actual weekly cost is even less in areas where the majority of houses are in the lower council tax bands.

12. Tight restriction of police precepts therefore has little impact on a broad government policy to constrain the burden of council tax on households. Specifically in 2008/09, in the vast majority of cases where the police precept increase exceeds 5%, the total Council Tax bill is still less than 5%.

Current budgetary context

13. The general arguments for greater flexibility for police precepts are reinforced by the particular circumstances of the 2008/09 settlement. The grant increase for the police service is only 2.8% in 2008/09 compared with an increase of 3.5% for the rest of local government. All the evidence suggests that the Government, and indeed local people, regard policing and tackling crime and disorder issues as a high priority in relation to other local government services. Indeed there are specific pressures on the police service to maintain and improve performance.
14. **Neighbourhood policing** has been a very popular initiative in providing reassurance to local communities and more effective support to wider policing objectives. However it has been costly to achieve and is costly to maintain. Although there has been some government funding, there is also a significant local contribution which represents a major budget pressure for police authorities if they are to sustain neighbourhood policing and continue to have a "Name in every Neighbourhood".
15. **Serious Organised Crime and Protective Services** Three years ago, Her Majesty's Inspectorate of Constabulary (HMIC) identified a substantial shortfall in resources being applied to serious organised crime and other protective services such as major crime, public order and critical incidents. Although the Government has made available some additional funding for counter-terrorism policing **no new money**, other than marginal pump-priming, has been provided for the rest of the protective services. Authorities and forces have been told they must close the gap identified in HMIC's report. All are seeking to address this urgent requirement through collaboration and redeployment of existing resources but this has to be supplemented by extra officers and other resources. This is a new and direct demand on police authority budgets without any government grant support.
16. Developments such as ANPR and forensic technology, whilst representing significant steps forward, also require additional resources if they are to be fully exploited effectively in solving crimes and bringing offenders to justice.
17. Police authorities have to manage these substantial pressures in relation to high priority policing services within their own diverse financial situations. All authorities have delivered significant efficiency savings in recent years, in excess of government targets, but this success makes it more difficult to find further savings in future years. Some authorities did secure significant precept increases in the years before the current capping pressure began to be applied some four years ago. There is a wide range of police council tax rates and the same percentage increase raises much less money for a low precept police authority than one nearer the top of the range. At the same time that the threat of capping has emerged tight damping has effectively frozen police authority grant entitlements so that they are not properly aligned with assessed need. Some authorities are able to draw on their financial reserves, others have reserves at dangerously low levels. As a result there are different degrees of resilience in police authorities' financial arrangements.
18. All authorities are managing their budgets in the context of a three year settlement. Some authorities are explicitly planning to raise additional funds in 2008/09 in order to be able to contain their precept at lower levels in the subsequent two years.

19. The APA strongly urges that the Government recognise the impact of these various budgetary and financial pressures on individual police authorities before coming to any final decisions about capping police authority precepts.

Implications of capping

20. The APA considers that there are very strong arguments to allow flexibility to police authorities in setting their budgets and council tax precepts. However, if the Government insists on taking the view that some increases in 2008/09 are excessive, the APA would press strongly the Government to nominate authorities rather than designate on the following grounds:
- The cost of re-billing across the whole of a police authority area, as all cover multiple billing authorities, would be substantial. In large provincial police authorities with as many as 14 billing authorities the cost could be up to £1.5 million, and in most cases will be at least £0.5 million. In effect this is simply throwing money away on leaflets and postage. This dead cost must be weighed in the balance against the benefit of an immediate, but relatively small reduction in council tax bills.
 - In-year revisions to budgets will be disruptive and likely to have adverse effects on police performance, contrary to community expectations and
 - Nomination allows a police authority time to plan a more orderly response to the Government's imperative to limit its precept in 2009/10.

Conclusion

21. The APA's policy can be summarised as:
- The APA is strongly opposed to capping on principle as removing local discretion from local communities.
 - In a situation where the Government sees a need for capping, police authorities should be allowed greater flexibility over their council tax precept levels than local government generally.
 - The argument for flexibility is supported both by the general characteristics of police authorities and the particular circumstances of their financial position in 2008/09.
 - If the Government determines that a police authority's precept is excessive, it should choose to nominate rather than designate.
22. Finally the APA urges the Government to recognise that all police authorities are responsible bodies, representative of their local communities, seeking to manage, within financial constraints, the pressures on a key public service where they have a statutory duty to secure its efficiency and effectiveness. Police authorities have delivered considerable improvements in performance such as significant reductions in crime levels, implementation of neighbourhood policing and substantial efficiency savings but this success will be jeopardised if their financial resources are unduly restricted.