

Briefing note: Provisional police funding settlement 2018/19
Office of the Police and Crime Commissioner for Lancashire

Introduction

Funding for the police primarily comes from two sources:

1. Grants from the Home Office
2. A proportion of local council tax (known as the Precept)

In its latest funding settlement, covering 2018/19, the Government has frozen Grants from the Home Office, and any budget increases must be found by Commissioners raising council tax precepts to plug the gap.

"Police funding increases by £450 million in 2018"

Under this new settlement, the Home Office claims to be delivering a £450m increase in police funding through its changes. This £450m figure breaks down as follows:

- £50m in an increase in national counter-terrorism funding
- £130m is for 'national priorities', money which does not come back to local forces
- The remaining £270m must be locally raised by Police and Crime Commissioners through raises in council tax

As you can see, only £270m of the promised £450m actually comes to local forces – and this will only be delivered if Police and Crime Commissioners act on the Home Office's expectation to raise council tax by the maximum allowed.

Council Tax

Previously, Commissioners could raise council tax precepts by a maximum of 1.99 per cent per year. The new settlement allows PCCs to raise precepts by a maximum of £12 per year for a Band D property. In Lancashire, a rise of £12 per year would roughly equate to a rise of 7.23%.

The Policing Minister Nick Hurd explained in the House (19.12.2017) how Commissioners raising their precepts by the maximum allowed would see their budgets remain the same in real terms.

This means any Commissioner deciding not to raise Council Tax by the maximum allowed, would see their budgets reduce in real terms. There is therefore an expectation on Local council tax payers to fill any gaps in funding.

How far this extra money goes

The maximum allowed £12 increase in Council Tax will raise £6.1m for Lancashire Constabulary. This equates to 2.3 per cent of the Constabulary's total resources.

However, Lancashire Constabulary is facing the following rising costs:

- 2 per cent increase in staff and officer pay, which will cost the Constabulary £3.0m
- Inflation at 3 per cent will see the Constabulary's non-staff costs rise by £1.1m

This leaves just £2.0m, which is roughly 0.75% of the Constabulary budget, to provide investment in the police and modernise services to meet the changing nature of crime.

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Regional differences

Under the previous system, when precept rises were based on a percentage, Lancashire's lower Council Tax take put it at a disadvantage when compared to other forces.

By allowing each force to raise Council Tax by the same cash amount, the Government claims areas with a lower council tax take (such as Lancashire) will benefit as, proportionally, the rise is larger than those with a larger take.

The table below compares Lancashire with Essex, Sussex and Surrey, demonstrating what additional income each force will be able to raise through council tax precept increase over the coming year. While all similar-sized forces, so have a similar starting budget, the table demonstrates how Lancashire is less able to raise funds through Council Tax than these similar areas.

Additional income from £12 council tax precept increases

	Net Budget	Impact of £12 increase in council tax precept		
	2017/18 (£m)	Percentage increase	Cash increase (£m)	Cash difference to Lancashire (£m)
Lancashire	260	2.3	6.1	-
Essex	267	3.3	8.9	2.8
Sussex	256	3.4	8.6	2.5
Surrey	210	3.6	7.5	1.4

In a previous briefing we showed how the same forces were better able to raise money through a *percentage* increase in council tax. Under this new system, based on an *equal £12 increase*, you can see how those same forces are still able to raise far more through council tax rises than Lancashire.

As these rises are seen year-on-year, the difference becomes exponential. Lancashire's position will continue to go backwards as the Government funding strategy shifts the burden from Home Office grant to local tax payers.