

Report of: The Secretary of the West Midland Police and Crime Panel

Date: 1 February 2016

Police and Crime Panel Review of Policing Budget and Precept 2016-2017

1. Introduction

1.1 Under Schedule 5 of The Police Reform and Social Responsibility Act 2011 the Panel is responsible for reviewing the PCC's proposed precept. This report sets out the legal basis for reviewing the precept and the process.

2. Recommendation

2.1 The Panel is asked to note the Police and Crime Commissioner's (PCC's) report and do one of the following:

a) **Support the proposed precept; or**

b) **Veto the proposed precept.**

2.2 If the Panel agrees to support the precept, then they must also agree whether to:

I. Support the precept without qualification or comment ; or

II. Support the precept with recommendations.

2.3 The Panel can only veto if supported by at least two thirds of the total membership of the Panel – 10 Members.

3. Background

Legislation

3.1 Schedule 5 of the Police Reform and Social Responsibility Act 2011 ("the Act") sets out the process for issuing a precept, including the Panel's role in reviewing the proposed precept, its power to veto the precept and the steps to be taken if the Panel does veto the proposed precept.

3.2 If there is a veto, Home Office guidance (issued in 2012) makes it clear that a reissued precept must be lower if the Panel determined it was too high and must be higher if the Panel determined it was too low.

3.3 Part 2 of the Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012 ("the Regulations") provide greater detail to the Act, including time limits applicable to the stages of the process and the process for reviewing and issuing a revised precept.

4. West Midlands Police and Crime Commissioner's Proposed Precept 2016/17

- 4.1 The PCC presented a report to the Panel on 18 January 2016 which stated that he was minded to set a precept increase of £5 on Band D properties and associated increases on all other properties in 2016/17. This report is available: <http://westmidlandspcp.co.uk/meeting-18-january-2016-2pm-walsall-council-house/>
- 4.2 The Commissioner is consulting on his proposed precept increase. Consultation closes at 5pm on 29 January 2016 and is located at:
<http://www.westmidlands-pcc.gov.uk/consultation/precept-consultation-2016-7>
- 4.3 The PCC will present his final proposals to the Police and Crime Panel meeting on 1 February 2016

5 Police and Crime Panel Decision

- 5.1 The Panel must review the PCC's proposals and decide to either:
- a) Support the proposed precept; or
 - b) Veto the proposed precept.
- 5.2 If the Panel agrees to support the precept, then they must also agree whether to:
- i. Support the precept without qualification or comment ; or
 - ii. Support the precept with recommendations.
- 5.3 The Panel can only veto if this supported by at least two thirds of the total membership of the Panel – 10 Members.
- 5.4 If the Panel vetoes the precept the PCC is required to consider the Panel's statement and issue a response, including a revised precept.
- 5.5 The Panel would then meet again on 15th February 2016 to consider the PCC's revised precept.

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2016/17 REVENUE BUDGET AND PRECEPT CAPITAL PROGRAMME 2016/17 – 2019/20

Report of the Police and Crime Commissioner

There is a statutory requirement for the Police and Crime Commissioner to set the precept by 1 March, although historically the former Police Authority approved the annual budget and precept by mid February in most years to assist Billing Authorities with early despatch of Council Tax Bills.

Regulations now require the PCC to notify the Panel of the proposed precept by 31 January, and this has been presented to the Panel at its meeting on 18 January. The Panel is required to review the precept by 8 February and this further report is intended to assist in this decision.

The Panel does have the power to veto the proposed level and if the veto is exercised the Commissioner would need to submit a revised precept by 15 February for review by the Panel by 22 February.

The Panel's schedule of meetings in February accommodates this timetable should it be needed.

PURPOSE

1. To set out the Police and Crime Commissioner's proposals for the 2016/17 Revenue Budget and Precept and Capital Programme 2016/17 to 2019/20.

BACKGROUND

2. This report follows the preliminary budget and precept proposals (an average increase of £5 for 2016/17) which were considered by the Panel at its meeting on 18 January. Although the final levels of Government Grant had not been confirmed at the time of writing, the proposals in this report are based on the provisional grant figures announced on 17 December, which are unlikely to change. Further information will be presented orally at the meeting if it becomes available.

GOVERNMENT GRANT SETTLEMENT 2016/17

3. The provisional grant settlement for the West Midlands was announced on 17 December 2015 and was a one year only settlement. The provisional settlement is as follows:-

	2015/16	2016/17	Difference	
	£m	£m	£m	%
Police Grant	252.3	250.8	-1.5	-0.6
DCLG Formula Funding	181.3	180.3	-1.0	-0.6
Sub Total	433.6	431.1	-2.5	-0.6
Council Tax Support	19.0	19.0	0.0	0.0
Total	452.6	450.1	-2.5	-0.6

4. The main points to note are as follows:

- The total level of Government Revenue Funding for Police in 2016/17 is 0.6% less than 2015/16 in cash terms, and all Police areas in England have been subject to the same percentage reductions.
- As the table in paragraph 4 shows, the total funding allocated to West Midlands is £450.1m, a reduction of £2.5m or 0.6% compared to 2015/16.
- The Home Office has continued to apply a number of top slices to force funding and the total amount top sliced has increased significantly, as summarised in the table below. This reduces the total amount that is available for allocation to individual forces.

2015/16		2016/17	Change
£m		£m	£m
564	Counter Terrorism	640	76
70	Police Innovation Fund	55	-15
40	Major Programmes (i)	22	-18
15	Police Special Grant (ii)	25	10
30	IPCC	32	2
9	HMIC	9	0
5	College of Policing (Direct Entry)	5	0
5	Police Knowledge Fund	0	-5
738	Total	788	50
	Additional Home Office Allocations:		
0	Emergency Services Network	80	80
0	Transformation Fund (iii)	76	76
738	Total	944	206

- i. to fund future communications and data capability programmes
- ii. originally introduced in 2015/16 "To support police forces facing unplanned or unexpected additional pressures which might otherwise place them at financial risk"
- iii. to invest in cross force capabilities, new technology, armed policing capability and digital justice/investigations

- For 2016/17 existing formula damping arrangements remain unchanged.
- The settlement makes provision for the 10 PCC's in England with the lowest precept levels, to raise their precept by up to £5 per year per Band D property. All other Forces will have a maximum referendum precept increase limit of 2%. West Midlands has the second lowest precept in the country, so the £5 increase option is open to the PCC.
- The Minister of State for Policing, Crime and Criminal Justice, Mike Penning, announced that "for 2016/17, direct resource funding for each PCC, including precept, will be protected at flat cash levels, assuming that precept income is increased to the maximum amount available". The grant allocation for WMP for 2016/17 only becomes a cash flat allocation if the PCC chooses to exercise the option of a £5 increase.
- PCC's and Chief Constables are expected to "do everything in their power to continue to drive efficiencies, safeguard the quality of policing and continue to reduce crime". The statement makes specific reference to efficiencies from better use of IT, greater collaboration and improving productivity.
- The settlement has increased counter terrorism police revenue funding to a total of £640m. Allocations to individual Police and Crime Commissioners will not be known until into the New Year.

COUNCIL TAX

5. At the Panel held on 18 January the Commissioner set out proposals for an average increase in Council Tax of £5; this assumed that the referendum principles applied in 2016/17 would be as announced in the provisional settlement.

CONSULTATION ON BUDGET AND PRECEPT PROPOSALS

6. In view of the considerable uncertainties about Government Grant levels in 2016/17, the Commissioner did not commence consultation on budget proposals for 2016/17 until the provisional grant announcements were reviewed on 22 December. The consultation period runs until 29 January 2016. An update will be provided at the meeting on the outcome of this consultation.
7. The Commissioner also undertook an independent survey in 2015 of over 7,500 residents asking their views on the police service and how it can improve. The survey included a question around future potential precept increases, with 57% of respondents supporting a precept increase.
8. The Commissioner also held a consultation meeting with representatives of Business Ratepayers where no specific issues were raised around the proposed £5 increase.

PROPOSED REVENUE BUDGET 2016/17

9. The Commissioner is proposing a Revenue Budget for 2016/17 based on the following:-
 - (a) The continued recruitment of 450 additional police officers, which is due for completion during 2016/17.
 - (b) The lifting of the need to use compulsory redundancy to achieve the reduction in PCSO numbers in the short term subject to any future revisions of the WMP2020 programme in light of the current settlement.
 - (c) A commitment of a two year allocation of Community Safety Funding with a reduction of 25% from April 2016 as previously discussed with partners. This is to reflect

funding reductions that have already taken place across police funding since the start of the austerity programme.

- (d) Existing budget commitments and inflationary pressures.
 - (e) Continued support for the Innovation and Integration Partnership (IIP) to deliver the WMP2020 programme, and the requirement for the programme to deliver significant savings in the medium term. The programme will help the Force to continually challenge the way services are provided, maximise innovation and drive efficiency and productivity.
 - (f) Savings from police officer and staff retirements and turnover, the rationalisation of the Birmingham Estate and other non-pay savings.
 - (g) A precept increase of £5 in line with the Council Tax referendum limit principles that applies to West Midlands Police.
 - (h) The prudent use of reserves in 2016/17 recognising the future use of reserves beyond 2016/17 will be in line with an updated Medium Term Financial Plan to be developed during 2016/17.
10. Work to complete the detailed compilation of estimates has now been completed and a number of relatively minor changes have been made to the figures previously presented.
11. The table below analyses the changes between the proposed 2016/17 Revenue Budget compared to the revised 2015/16 Budget, as discussed at the 7 July 2016 Strategic Police and Crime Board. The subjective analysis of the proposed 2016/17 budget is shown in **Appendix One**.

	<i>£m</i>	<i>£m</i>
2015/16 Approved Revised Revenue Budget		541.1
Add		
<i>Pay Awards and Inflation</i>	18.6	
<i>New Recruits</i>	4.4	
<i>WMP2020 Project costs</i>	16.9	
<i>ARV Uplift*</i>	1.1	
Less		
<i>Police, Staff & PCSO Leavers in 2016/17</i>	-25.9	
<i>Additional Budget Review savings</i>	-2.5	
<i>Removal of 2015/16 Project Costs</i>	-14.6	
<i>Removal of one off 2015/16 carry forward</i>	-2.8	
2016/17 Proposed Revenue Budget		536.3

* The 2016/17 budget allows for the proposed uplift in Armed Response Vehicles (ARV) capability. At this stage it is unclear whether any of the centrally allocated Transformation Fund from the Government will be directed to Forces to contribute to this area.

OFFICE OF THE POLICE AND CRIME COMMISSIONER

12. The proposed budget for the Office of the Police and Crime Commissioner for 2016/17, compared to the approved budget for 2015/16 is shown in the following table.

	<i>Original 2015/16 £'000</i>	<i>Proposed 2016/17 £'000</i>
<i>Governance & Strategic Direction</i>	315	326
<i>Staff & Office Support Costs</i>	1,277	1,329
<i>Consultation, Publicity etc</i>	190	153
<i>Community Initiative Fund</i>	25	25
<i>Subscriptions</i>	54	45
<i>Bank charges and External Audit fees</i>	109	92
Total	1,970	1,970

COMMUNITY SAFETY FUNDING

13. The Commissioner has made a commitment of a two year allocation of Community Safety Funding with a reduction of 25% from April 2016, which has been discussed with partners. This means the Community Safety Funding allocations for 2016/17 are as follows.

<i>District</i>	<i>CSF Allocation 2015/16 £</i>	<i>Proposed CSF Allocation 2016/17 £</i>
<i>Birmingham</i>	2,497,583	1,873,187
<i>Coventry</i>	546,304	409,728
<i>Dudley</i>	396,364	297,273
<i>Sandwell</i>	530,190	397,643
<i>Solihull</i>	285,938	214,454
<i>Walsall</i>	402,203	301,652
<i>Wolverhampton</i>	492,495	369,371
Total	5,151,077	3,863,308

RESERVES AND MEDIUM TERM FINANCIAL PLANNING

14. The prudent use of reserves to support spending continues to be a key factor in the Medium Term Financial strategy. The following table summarises the estimated level of reserves at 31 March 2016.

	<i>Estimated Balance as at March 2016 £000</i>
<i>Capital Reserve</i>	17,800
<i>Budget Reserve</i>	26,357
<i>Budget Resilience</i>	25,492
<i>Redundancy and Equal Pay Reserve</i>	10,097
<i>Self-funded Insurance Reserve</i>	12,000
<i>Devolved Budget Reserve</i>	2,453
<i>Uniform and Protective Equipment Reserve</i>	3,000
<i>Major Incident Reserve</i>	2,153
<i>POCA Income Reserve</i>	1,082
<i>Risk Reserve</i>	1,022
<i>Earmarked Reserves</i>	101,456
<i>General Reserve</i>	12,042
TOTAL RESERVES	113,498

15. Following receipt of the provisional grant settlement, the Commissioner is now in the process of revising the Medium Term Financial Plan (MTFP). A refresh of the WMP2020 blueprint is due for completion at the end of March 2016. This will form the basis of the financial strategy and the proposed use of reserves over the next 4 years. The outcome of MTFP review will be reported back to the Panel in September 2016 and will also incorporate the outcome of the police funding formula as it is developed nationally over the same period.

CAPITAL PROGRAMME 2015/16 – 2019/20

16. The police funding settlement indicates a reduction of capital grant to Forces but this will not be finalised until the final Police Grant report is made available in February 2016. A reduced level of the annual capital grant will impact on the funding of the 5 year capital programme. This will need to be closely monitored and will impact on the Force strategy for both use of reserves and potential borrowing. The capital programme to 2019/20 (including the current year) is shown in the table overleaf.

	2015/16 Current Budget £m	2016/17 Proposed Budget £m	2017/18 Proposed Budget £m	2018/19 Proposed Budget £m	2019/20 Proposed Budget £m	Total Prog £m
WMP2020:						
NWOW (inc Lloyd House)	17.8	15.2	0.0	0.0	0.0	33.0
Criminal Justice	13.4	0.0	0.0	0.0	0.0	13.4
Next Generation Enabling Services	0.0	4.2	0.0	0.0	0.0	4.2
Operational Policing Solution	0.0	8.1	2.9	0.0	0.0	11.0
Predictive Analytics	0.2	0.0	5.8	0.0	0.0	6.0
Estates Rationalisation	2.5	3.0	2.0	0.0	0.0	7.5
Other WMP2020	3.6	11.6	3.4	0.4	0.2	19.2
Total WMP2020	37.5	42.1	14.1	0.4	0.2	94.3
Business As Usual:						
Fleet	3.0	4.2	3.0	3.0	3.0	16.2
ICT	1.7	0.5	0.6	0.5	0.6	3.9
Equipment	0.2	0.2	0.2	0.2	0.2	1.0
CTU	2.3	0.0	0.0	0.0	0.0	2.3
Total BAU	7.2	4.9	3.8	3.7	3.8	23.4
Total Spend	44.7	47.0	17.9	4.1	4.0	117.7
Funded By:						
Capital Grant (estimated)						-26.3
Capital Receipts						-42.4
Reserves/Borrowing						-45.9
Police Innovation Funding						-0.8
CTU Funding						-2.3
Total Funding						-117.7
Net Surplus/Deficit						0.0

CAPITAL FINANCING

17. The exact combination of funding sources will depend upon:-
- The extent to which reserves will be required to support total revenue spending over the medium term.
 - The outcome of detailed business cases particularly for invest to save schemes, where the use of one-off reserves to generate recurring savings makes good sense.
 - The long term costs of borrowing and the impact of borrowing costs on total revenue spending, although the proportion of the total budget allocated to capital financing charges is significantly lower than similar force areas.
 - The use of short term internal borrowing where cash surpluses are not invested to delay the need to borrow in the low interest rate environment.

18. The proposed funding plan will be reviewed and updated as necessary in accordance with changes to the Treasury Management Strategy and emerging market conditions. It may be advantageous to borrow long term for the purchase of land or the creation of buildings to maximise value for money scenarios as they present themselves further into the programme.

PRECEPT PROPOSALS

19. Details of the tax bases and collection fund surpluses and deficits the Commissioner is required to take into account in setting the precept are set out in the following table.

<i>District</i>	<i>2016/17 Taxbase</i>	<i>2015/16 Surplus / (Deficit) on Collection Fund</i>
<i>Birmingham</i>	<i>239,042.00</i>	<i>532,000</i>
<i>Coventry</i>	<i>77,525.10</i>	<i>345,839</i>
<i>Dudley</i>	<i>88,126.08</i>	<i>194,000</i>
<i>Sandwell</i>	<i>69,913.98</i>	<i>*</i>
<i>Solihull</i>	<i>73,456.00</i>	<i>73,656</i>
<i>Walsall</i>	<i>67,520.37</i>	<i>*</i>
<i>Wolverhampton</i>	<i>60,405.94</i>	<i>179,000</i>
Total	675,989.47	1,324,495

**Awaiting formal notification*

20. Although the provisional grant figures for 2016/17 have not yet been finalised, it is highly unlikely that they will change from those set out in paragraph 3. Subject, therefore, to confirmation of the final grant figures, the surpluses and deficits on collection funds and assuming referendum rules similar to 2015/16, the Commissioner would be proposing the following Budget for 2016/17 and an average precept increase of £5 as set out in the following tables.

	<i>2015/16</i>	<i>2016/17</i>
	<i>£m</i>	<i>£m</i>
<i>Total Revenue Budget</i>	<i>541.1</i>	<i>536.3</i>
<i>Less: Collection Fund Surplus*</i>	<i>-0.7</i>	<i>-1.3</i>
<i>Less: Government grant</i>	<i>-452.6</i>	<i>-450.1</i>
<i>Balance to Fund via Reserves & Precept</i>	<i>87.8</i>	<i>84.9</i>
<i>Less: Use of Reserves</i>	<i>-17.6</i>	<i>-9.5</i>
<i>Precept (including £5 Increase for 16/17)</i>	<i>-70.2</i>	<i>-75.4</i>

**Awaiting formal notification*

21 This would produce a charge for each property band for 2016/17, as follows:-

		2015/16	2016/17		
	Statutory Proportion	Precept	Precept	Change Annual	Change Weekly
		£ : p	£ : p	£ : p	£ : p
A	6/9	71.03	74.36	3.33	0.06
B	7/9	82.87	86.76	3.89	0.07
C	8/9	94.71	99.15	4.44	0.09
D	9/9	106.55	111.55	5.00	0.10
E	11/9	130.23	136.34	6.11	0.12
F	13/9	153.91	161.13	7.22	0.14
G	15/9	177.58	185.91	8.33	0.16
H	18/9	213.10	223.10	10.00	0.19

22 For most Council Taxpayers in the West Midlands the increase would be only 10p per week or less and the Police precept in the West Midlands would still be the second lowest in the country. The graph in Appendix Two shows the Council tax precept Band D levied across all English forces for 2015/16. This demonstrates that the precept for West Midlands is significantly less than its nearest neighbours, both in terms of size and location. With a £5 increase in 2016/17 the precept for West Midlands would remain the second lowest in the country. Appendix Three shows the effect if all Forces increase their precept by the maximum increase allowed for each Force.

APPROVAL OF THE REVENUE BUDGET AND PRECEPT

23 When the Commissioner comes to finally approve the precept, he must have regard to a range of legal requirements including:-

1. Ensuring that the precept is sufficient to provide for the expenditure incurred in the year.
2. The requirement to hold a taxpayer referendum if excessive increases are proposed.
3. The Chief Finance Officer's report on the robustness of estimates and the adequacy of financial reserves.

PROPOSALS

24 The Police and Crime Panel is invited to consider the following proposals from the West Midlands Police and Crime Commissioner in respect of the 2016/17 Revenue Budget and Precept and the 2016/17 – 2019/20 Capital Budget and Programme.

- 1 Subject to confirmation of the final grant figures and the surpluses and deficits on collection funds that the total Revenue Budget for 2016/17 be set at **£536,300,000**.
- 2 The Community Safety Fund should be allocated as set out in **paragraph 11**.
- 3 The Band D precept for 2016/17 should be set at **£111.55** an increase of £5 compared to 2015/16.
- 4 The Capital Budget for 2016/17 and Capital Programme for 2016/17 – 2019/20 be as set out in **paragraph 14**.

Appendix 1 – Summary of Revenue Budget 2016/17

Appendix 2 – National Police Council Tax precepts 2015/16

Appendix 2 – Indicative National Police Council Tax precepts 2016/17 (based on maximum precept increases)

	Proposed Budget 2016/17 £000
<i>Police pay</i>	349,134
<i>Police Community Support Officers</i>	13,367
<i>Support staff pay</i>	100,829
<i>Other employees expenses</i>	1,994
<i>Sub total</i>	465,324
<i>Premises</i>	17,543
<i>Transport</i>	7,911
<i>Supplies and services</i>	41,529
<i>Agency</i>	5,260
<i>Capital Financing Costs</i>	3,195
<i>External income</i>	-25,058
<i>WMP2020 Project Costs</i>	13,475
<i>Police Force</i>	529,179
<i>Office of the Police & Crime Commissioner</i>	1,970
<i>CSF Expenditure (LA's)</i>	3,863
<i>Other Commissioning</i>	1,288
<i>Victim Services Expenditure</i>	3,089
<i>Victim Services Income</i>	-3,089
<i>Total Office of the PCC</i>	7,121
<i>Total Revenue Budget</i>	536,300



