



PRELIMINARY REVENUE BUDGET AND CAPITAL PROGRAMME PROPOSALS 2017/18

Report of the Police and Crime Commissioner

PURPOSE

- 1 This report sets out the details of the provisional Police Grant Settlement and the preliminary revenue budget, capital programme and precept proposals for 2017/18. Further details will be presented to the Panel at its meeting on 6 February 2017, when the final grant figures and the council tax base details should be available.

BUDGET CONSULTATION

2. In view of the considerable uncertainty about Government Grant levels in 2017/18, the Commissioner did not commence consultation on budget proposals for 2017/18 until the Provisional Grant announcements were reviewed on 19 December. The consultation period runs until 27 January 2017.

2017/18 PROVISIONAL GRANT SETTLEMENT

3. The provisional grant settlement for the West Midlands was announced on 15 December 2016 and was a one year only settlement. The provisional settlement is as follows:-

	<i>2016/17</i>	<i>2017/18</i>	<i>Difference</i>	
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>%</i>
Police Grant	250.8	247.3	-3.5	-1.4
DCLG Formula Funding	180.3	177.8	-2.5	-1.4
Sub Total	431.1	425.1	-6.0	-1.4
Council Tax Support	19.0	19.0	0.0	0.0
Total	450.1	444.1	-6.0	-1.3

4. The main points to note are as follows:

- As the table in paragraph 3 shows, the total funding allocated to West Midlands is £444.1m, a reduction of £6.0m or 1.3% compared to 2016/17.
- The provisional settlement is worse than expected with government grant being reduced by £3.5m in 2017/18 more than forecasted in the Commissioner's Medium Term Financial Plan that was presented to the Police and Crime Panel in 2016. Central Government is implementing this cut to reflect the increases in council tax bases across local authority areas since the financial year 2015/16. This essentially means the total resources for police and crime commissioners (PCCs) including government grant and council tax income will remain at roughly the 2015/16 levels throughout the period up until 2019/20.
- Reducing the level of grant funding to PCC's has enabled Central Government to increase by £44m its allocation to the transformation fund. In addition the Home Office has committed additional funding in 2017/18 to the Emergency Services Network, Police Special Grant and a new allocation for pre-bail charging which has increased the top-slice from the grant funding. Although not confirmed the national increase in the top slice of police funding from 2016/17 to 2017/18 is believed to be £240m.
- For 2017/18 existing formula damping arrangements remain unchanged.
- The settlement makes provision as it did in 2016/17 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.
- For all PCC's the increases in precept income, whether £5 or 2% on average is mandated by Central Government. Otherwise police funding will reduce even more than it has since 2010.
- The settlement has increased counter terrorism police revenue funding to a total of £670m. Allocations to individual PCCs will not be known until into the New Year.

RESPONDING TO THE PROVISIONAL SETTLEMENT

5. The consultation period on the Provisional Funding Settlement ends on 26th January 2017, after which final allocations will be confirmed. The Commissioner has the following observations on the provisional settlement:

- The police funding formula review should be completed in 2017/18 to allow funding allocations from April 2018 to reflect the revised arrangements. Although the review of Force allocations is well overdue it places significant uncertainty on the levels of funding for the West Midlands.
- The ability to raise the precept by £5 shifts the burden of police funding from Central Government to local taxpayers. Also even with the £5 increase the West Midlands precept will still be significantly less than neighbouring police forces (for example, Staffordshire's precept in 2016/17 is £177.61 which is £66.06 above the West Midlands).
- The average £5 increase in the precept is required and is not discretionary for areas such as the West Midlands that are very reliant on funding from Central Government.

- The existing grant damping arrangements and the application of across the board cuts in grants and “top slicing” are unfair and iniquitous, particularly to those policing areas which currently rely on significant proportions of police grant.
- The reduction in police grant of £6m in 2017/18 is disappointing and the settlement fails to recognise that crime is changing and not falling.

BUDGET PROPOSALS

6. In framing these outline budget and precept proposals the Commissioner has had regard to:-

- The priorities of the Police and Crime Plan.
- The implications of the provisional funding settlement.
- Existing budget commitments and inflationary pressures.
- 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.
- Savings from police officer and staff retirements and turnover and non-pay savings.
- The Budget Reserve available (which is estimated to be about £17m at the end of March 2017) to support the 2017/18 revenue budget. In addition there is the Budget Resilience Reserve with a balance of £25.5m.
- The uncertainty of funding beyond 2017/18 in light of the review of the police funding formula.
- The settlement due to a reduction in central government grant will result in approximately a total of £10.5m less in resources to the period 2019/20 in comparison to the 2016 medium term financial plan. Therefore there is a requirement to revise the Commissioner’s medium term financial plan over the coming months. This will include the availability of reserves to fund ongoing revenue budgets and the capital programme.

7. The key budget proposals will therefore be:

- a) The recruitment of 1,150 individuals, including 800 police officers, 200 police staff and 150 police community support officers (PCSOs) in line with the medium term financial plan.
- b) The opportunity to have a workforce more representative of the public we serve by recruiting more BME police officers, police staff and PCSOs.
- c) The creation of more flexible, modern and cost effective roles through police officer modernisation and apprenticeships.
- d) A precept increase of £5 in line with the Council Tax referendum limit principles that applies to West Midlands Police together with the prudent use of reserves.
- e) A planned use of the Budget Reserve in 2017/18 of £17m and the Budget Resilience Reserve if required.

8. The implications of the 2017/18 provisional settlement are set out in the following table:

	2017/18
	£m
Base Budget	575.6
WMP2020 Programme:	
Officer Pay savings	-18.6
Reduction in One Off Project Costs	-11.7
Non-pay savings	-3.7
Total Benefits	-34.0
Pay Costs	1.8
Recurring Non Pay Costs	0.6
Total Costs	2.4
WMP2020 Net Benefits	-31.6
Total Spend	544.0
Government Grants	-444.1
Precept	-79.2
<i>Use of Reserves</i>	20.7

9. It is forecast that £20.7m of reserves will be needed to balance the revenue budget in 2017/18. Therefore the Budget Reserve which is estimated to have a balance of £17m will be used to balance the revenue budget in 2017/18. Any remaining unfunded balance will be funded from Budget Resilience Reserve which has a balance of £25.5m.
10. The revision of the national policing funding formula (currently being proposed for implementation from 2018/19) creates uncertainty for the Forces financial planning strategy in the medium term. The current MTFP is based on current funding allocations, but given the material impact that a revised formula could have, a prudent approach, especially around the commitment of reserves, will be required until greater clarity is provided.

COUNCIL TAX ISSUES

11. The majority of Forces have a Council Tax referendum threshold of 2%. The settlement continues to provide the mandated requirement for the 10 Forces who have historically kept the police element of their Council Tax bill low (which includes West Midlands Police) to increase their precept income by an average (Band D) of £5 per year.

12. The following table sets out what that the 2 precept increase options (1.99% and £5) would mean for local Council Tax Bands:-

Band	Statutory Proportion	2017/18 Precept Options				
		2016/17 Precept £ : p	1.99% Increase £ : p	Change Annual £ : p	£5 Increase £ : p	Change Annual £ : p
A	6/9	74.36	75.84	1.48	77.69	3.33
B	7/9	86.76	88.49	1.73	90.65	3.89
C	8/9	99.15	101.12	1.97	103.59	4.44
D	9/9	111.55	113.77	2.22	116.55	5.00
E	11/9	136.34	139.05	2.71	142.45	6.11
F	13/9	161.13	164.34	3.21	168.35	7.22
G	15/9	185.91	189.61	3.70	194.24	8.33
H	18/9	223.10	227.54	4.44	233.10	10.00

13. The Commissioner is consulting on a precept increase of an average £5 per year (equivalent to 4.48%). For Band D Council Taxpayers in the West Midlands this increase would be less than 10p per week and the Police precept in the West Midlands would still be amongst the lowest in the country. The difference between a 1.99% increase and a £5 average increase is £2.78 per year which is less than 6p per week at Band D.
14. Early indications from Local Authorities are that the Tax Base would increase by 0.5% for 2017/18. Based on this assumption, an increase of £5 would generate £3.4m additional precept from 2016/17, which is £1.9m higher than an increase of 1.99%.
15. The graph in **Appendix One** shows the Council tax precept Band D levied across all English forces for 2016/17 and **Appendix Two** shows the anticipated Band D precept if a £5 increase is levied and all other PCC's increase their precept by the maximum permitted amount. Both of these graphs demonstrate 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 2017/18 the precept for West Midlands would remain the second lowest in the country.

CAPITAL PROGRAMME

16. The main items in the capital programme include the completion of the significant rationalisation of the Central Birmingham Estate, which will produce revenue savings; funding for the vehicle and plant replacement programme; and investment in ICT. It is currently anticipated that the majority of the capital programme can be financed by a combination of revenue reserves, capital grants and capital receipts and additional borrowing as required. The programme also includes an allocation for WMP2020 schemes, the details of which are included in the table overleaf.
17. There is also provision within the capital programme for provisional work for the on-going estates strategy. The estates strategy requires a detailed amount of work to establish proposals that will enable assets to be used in a more cost effective way, enable further partnership working with other bodies and deliver service benefits. The impact of future of costs and savings of the estates strategy will be considered by the Commissioner in due course.

	2016/17 Current 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)	11.3	0.0	0.0	0.0	11.3
Criminal Justice	0.9	0.0	0.0	0.0	0.9
Next Generation Enabling Services	4.5	0.0	0.0	0.0	4.5
Operational Policing Solution	6.2	1.7	3.1	0.0	11.0
Data Driven Insight (DDI)	0.0	1.5	1.2	1.2	3.9
Estates Strategy*	0.0	3.0	2.0	0.0	5.0
Other WMP2020	7.7	3.2	2.2	1.2	14.3
Total WMP2020	30.6	9.4	8.5	2.4	50.9
Business as Usual					
Fleet	4.2	3.0	3.0	3.0	13.2
ICT	1.5	0.6	0.6	0.6	3.3
Equipment (inc Firearms &NaBIS)	0.9	0.2	0.2	0.2	1.5
CTU	2.4	0.0	0.0	0.0	2.4
Total BAU	9.0	3.8	3.8	3.8	20.4
Total Spend	39.6	13.2	12.3	6.2	71.3
Funded By:					
Capital Grant (estimated)					-10.4
Capital Receipts					-11.0
Reserves/Borrowing					-46.8
Specific Capital Grant					-3.1
Total Funding					-71.3
Net Surplus/Deficit					0.0

*A more detailed Estates Strategy is subject to agreement of a finalised plan

KEY ISSUES FOR PANEL CONSIDERATION

18. The Panel is asked to consider the following:-

(a) The Commissioner's budget therefore includes provision for the following:-

- The commitment to recruit 800 police officers, 200 police staff and 150 PCSOs in line with the medium term financial plan.
- The costs and benefits arising from the continued support for the WMP2020 transformation programme.
- The continued commitment to fund Community Safety Funding at 2016/17 levels.
- The use of the Budget Reserve in 2017/18 to support the revenue budget and making use of the Budget Resilience Reserve if required.

(b) That the Commissioner is minded to set a precept increase of £5 on Band D properties and the associated increase on all other properties in 2017/18.

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