

2017/18 REVENUE BUDGET AND PRECEPT CAPITAL PROGRAMME 2017/18 – 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, however, the Commissioner seeks to set the annual budget and precept by mid-February to assist Billing Authorities with early despatch of Council Tax Bills.

Regulations 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 16 January. The Panel is required to review the precept by 7 February and this further report is intended to assist in this requirement.

The Panel does have the power to veto the proposed level and if the veto is exercised the Commissioner would need to consider the Panel's views and respond by 15 February for review by the Panel by 22 February. The Panel must respond by 22 February but rejection cannot prevent the Commissioner from issuing the precept

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 2017/18 Revenue Budget and Precept and Capital Programme 2017/18 to 2019/20.

BACKGROUND

2. This report follows the preliminary budget and precept proposals (an average precept increase of £5 for 2017/18) which were considered by the Panel at its meeting on 16 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 15 December, which are unlikely to change. Further information will be presented orally at the meeting if it becomes available.

GOVERNMENT GRANT SETTLEMENT 2017/18

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:-

	2016/17	2017/18	Difference	
	£m	£m	£m	%
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 September 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.
- 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.
- 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%. The 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 later in the year.
- 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.

COUNCIL TAX

5. At the Panel held on 16 January the Commissioner set out proposals for an average increase in Council Tax of £5.

CONSULTATION ON BUDGET AND PRECEPT PROPOSALS

6. In view of the ongoing uncertainties 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 16 December. The consultation period ran until 27 January 2017. An update will be provided at the meeting on the outcome of this consultation.
7. The Commissioner also held a consultation meeting with representatives of Business Ratepayers where no specific objections were raised around the proposed £5 increase.

PROPOSED REVENUE BUDGET 2017/18

8. The Commissioner is proposing a Revenue Budget for 2017/18 based on the following:-
 - (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 up to the end of March 2020.
 - (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 £18.2m.
9. 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.
10. The table below analyses the changes between the proposed 2017/18 Revenue Budget compared to the revised 2016/17. The subjective analysis of the proposed 2017/18 budget is shown in **Appendix One**.

	£m	£m
2016/17 Approved Revised Revenue Budget		544.8
Add		
Pay Awards and Inflation	13.2	
New Recruits	12.6	
WMP2020 Project costs	18.1	
Other inc Workforce Mix, Apprenticeship Levy & Pension	9.8	
Less		
Police, Staff & Leavers in 2017/18	-31.5	
Removal of 2016/17 Project Costs	-22.0	
Other Adjustments inc External Funding	-0.9	
2017/18 Proposed Revenue Budget		544.1

WMP2020 PROGRAMME OF WORK

11. Within the 2017/18 revenue budget expenditure £18.1m is included to cover the costs of the WMP2020 programme. This expenditure on projects enables approximately £30m of savings during 2017/18 to be made by ensuring the Force maintains its standards of performance with considerable less resources since 2010. It is also important to note the WMP2020 programme is a transformational programme that will see benefits beyond 2017/18.

POLICE AND CRIME COMMISSIONER

12. The proposed budget for the Police and Crime Commissioner's office for 2017/18, compared to the budget for 2016/17 is shown in the table below.

	Revised Budget 2016/17 £000	Proposed 2017/18 £000
Governance	326	290
Staff & Office Support Costs	1,274	1,334
Consultation, ICT and Systems	103	75
Police Misconduct Hearings incl Legally Qualified Chairs*	50	50
Subscriptions	45	33
Bank Charges and External Audit Fees	92	83
Custody Visiting	5	5
Professional Services	50	50
Mental Health Commission Secondment	0	25
Total	1,945	1,945

*Requirement for legally qualified chairs of Police Conduct Panels

COMMUNITY SAFETY FUNDING

13. The Commissioner made a commitment of a two year allocation of Community Safety Funding when the budget was agreed for 2016/17. This means the Community Safety Funding allocations for 2017/18 are as follows.

<i>District</i>	<i>Proposed CSF Allocation 2016/17</i>	<i>Proposed CSF Allocation 2017/18</i>
	<i>£</i>	<i>£</i>
<i>Birmingham</i>	<i>1,873,187</i>	<i>1,873,187</i>
<i>Coventry</i>	<i>409,728</i>	<i>409,728</i>
<i>Dudley</i>	<i>297,273</i>	<i>297,273</i>
<i>Sandwell</i>	<i>397,643</i>	<i>397,643</i>
<i>Solihull</i>	<i>214,454</i>	<i>214,454</i>
<i>Walsall</i>	<i>301,652</i>	<i>301,652</i>
<i>Wolverhampton</i>	<i>369,371</i>	<i>369,371</i>
Total	3,863,308	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 2017.

	<i>Estimated Balance as at March 2017</i>
	<i>£000</i>
<i>Capital Reserve</i>	<i>0</i>
<i>Budget Reserve</i>	<i>25,718</i>
<i>Budget Resilience</i>	<i>25,492</i>
<i>Devolved Budget Reserve</i>	<i>8,233</i>
<i>Risk Reserve</i>	<i>3,240</i>
<i>POCA Income Reserve</i>	<i>882</i>
<i>Redundancy and Equal Pay Reserve</i>	<i>10,097</i>
<i>Self-funded Insurance Reserve</i>	<i>9,500</i>
<i>Uniform and Protective Equipment Reserve</i>	<i>3,015</i>
<i>Major Incident Reserve</i>	<i>2,153</i>
Earmarked Reserves	88,330
<i>General Reserve</i>	<i>12,042</i>
TOTAL RESERVES	100,372

15. Following receipt of the provisional grant settlement, the Commissioner is now in the process of revising the Medium Term Financial Plan (MTFP). During 2017/18 a refresh of the WMP2020 programme of work will take place and will inform the financial strategy over the medium term.
16. It is planned that both the Budget and the Budget Resilience Reserve will be used to support the revenue budget including the change programme up to 2020. The forecast drawdown will be known when the revised MTFP financial plan is produced. In addition, in

line with the existing MTFP £2.1m of the Devolved Budget Reserve is planned to be used in 2017/18 to support invest to save opportunities.

CAPITAL PROGRAMME 2017/18 – 2019/20

17. 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. The capital programme will be financed by a combination of reserves, capital grants, 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 below.
18. 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.
19. The proposed capital programme is detailed below:-

	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
CTU Funding					-3.1
Total Funding					-71.3
Net Surplus/Deficit					0.0

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

CAPITAL FINANCING

20. 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.
21. 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

22. 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. These are subject to final approval by the Local Authorities.

<i>District</i>	<i>2017/18 Taxbase</i>	<i>2016/17 Surplus / (Deficit) on Collection Fund</i>
<i>Birmingham</i>	<i>243,955.00</i>	<i>465,000.00</i>
<i>Coventry</i>	<i>78,971.90</i>	<i>212,648.00</i>
<i>Dudley</i>	<i>89,561.62</i>	<i>93,000.00</i>
<i>Sandwell</i>	<i>71,217.34</i>	<i>75,382.00</i>
<i>Solihull</i>	<i>74,971.00</i>	<i>122,391.00</i>
<i>Walsall</i>	<i>69,074.69</i>	<i>448,250.78</i>
<i>Wolverhampton</i>	<i>61,397.45</i>	<i>106,000.00</i>
<i>Total</i>	<i>689,149.00</i>	<i>1,522,671.78</i>

23. Although the provisional grant figures for 2017/18 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 2016/17, the Commissioner would be proposing the following Budget for 2017/18 and an average precept increase of £5 as set out in the following tables.

	2016/17	2017/18
	£m	£m
Total Revenue Budget	536.3	544.1
Less: Collection Fund Surplus*	-1.7	-1.5
Less: Government grant	-450.1	-444.1
Balance to Fund via Reserves & Precept	84.5	98.5
Less: Use of Reserves	-9.1	-18.2
Precept (including £5 Increase for 17/18)	-75.4	-80.3

*Subject to final confirmation

- 24 This would produce a charge for each property band for 2017/18, as follows:-

		2016/17	2017/18		
	Statutory Proportion	Precept	Precept	Change Annual	Change Weekly
		£ : p	£ : p	£ : p	£ : p
A	6/9	74.37	77.70	3.33	0.06
B	7/9	86.76	90.65	3.89	0.07
C	8/9	99.16	103.60	4.44	0.09
D	9/9	111.55	116.55	5.00	0.10
E	11/9	136.34	142.45	6.11	0.12
F	13/9	161.13	168.35	7.22	0.14
G	15/9	185.92	194.25	8.33	0.16
H	18/9	223.10	233.10	10.00	0.19

- 25 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 2016/17. This demonstrates that the precept for West Midlands is significantly less than its nearest neighbours. With a £5 increase in 2017/18 the precept for West Midlands would remain the second lowest in the country. Appendix Three shows the effect if all PCCs increase their precept by the maximum permitted amount.

APPROVAL OF THE REVENUE BUDGET AND PRECEPT

- 26 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

- 27 The Police and Crime Panel is invited to consider the following proposals from the West Midlands Police and Crime Commissioner in respect of the 2017/18 Revenue Budget and Precept and the 2017/18 – 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 2017/18 be set at **£544,124,000**.
 - 2 The Community Safety Fund should be allocated as set out in **paragraph 13**.
 - 3 The Band D precept for 2017/18 should be set at **£116.55** an increase of £5 compared to 2016/17.
 - 4 The Capital Budget for 2017/18 and Capital Programme for 2017/18 – 2019/20 be as set out in **paragraph 19**.

Appendix 1 – Summary of Revenue Budget 2017/18

Appendix 2 – National Police Council Tax precepts 2016/17

Appendix 2 – Indicative National Police Council Tax precepts 2017/18 (based on maximum precept increases)

	Revised Budget 2016/17 £000	Proposed Budget 2017/18 £000
<i>Police pay</i>	353,226	352,798
<i>Police Community Support Officers</i>	12,845	13,249
<i>Support staff pay</i>	100,855	98,126
<i>Other employees expenses</i>	3,058	2,118
Sub total	469,984	466,292
<i>Premises</i>	16,927	17,052
<i>Transport</i>	7,980	7,892
<i>Supplies and services</i>	42,009	43,849
<i>Agency</i>	5,647	5,407
<i>Capital Financing Costs</i>	3,198	3,342
<i>External income</i>	-31,355	-26,267
<i>WMP2020 Project Costs</i>	21,979	18,660
Police Force	536,369	536,227
<i>Police & Crime Commissioner</i>	1,945	1,945
<i>Community Safety Funding</i>	3,863	3,863
<i>Active Citizens</i>	840	800
<i>Grant Expenditure</i>	1,788	1,288
<i>Victim Services Expenditure</i>	3,089	3,322
<i>Victim Services Income</i>	-3,089	-3,322
Total Office of the PCC	8,437	7,897
Total Revenue Budget	544,805	544,124

Council Tax Precept Band D 2016/17



