

2018/19 REVENUE BUDGET AND PRECEPT CAPITAL PROGRAMME 2018/19 – 2021/22

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 15 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 2018/19 Revenue Budget and Precept and Capital Programme 2018/19 to 2021/22.

BACKGROUND

2. This report follows the preliminary budget and precept proposals (an average precept increase of £12 for 2018/19) which were considered by the Panel at its meeting on 15 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 19 December, which are unlikely to change. Further information will be presented orally at the meeting if it becomes available.

GOVERNMENT GRANT SETTLEMENT 2018/19

3. The total grant settlement from government has remained at £444.1m. This is made up of £247.3m from Police Grant, £177.8m from DCLG Formula Funding and £19.0m from Council Tax Support Grant. The main points to note from the settlement are as follows:
- The settlement includes the expectation for PCC's to raise their precept by up to £12 per year per Band D property in 2018/19.
 - The government expects PCCs to pay for the 2017 pay award and costs of the 2018 pay award from the funding settlement.
 - For 2018/19 existing formula damping arrangements remain unchanged.
 - There is a commitment to broadly maintain police grant in 2019/20 at the current cash levels and allow PCCs to further increase precept to a maximum of £12 in 2019/20. This is dependent on police forces delivering clear progress against agreed milestones on productivity and efficiency in 2018/19.
 - For the West Midlands capital grant allocations of £2.5m remain the same in 2018/19 as in the current year.
 - The settlement allows PCCs to retain the full benefit from any additional local council tax income. It is assumed this means any additional funding from increased council tax base across the West Midlands are retained locally.

COUNCIL TAX

4. At the Panel held on 15 January the Commissioner set out proposals for an average increase in Council Tax of £12. This increase is a requirement not discretionary for an areas such as the West Midlands that are more reliant on funding from Central Government and has the second lowest precept level nationally.
5. The ability to raise the precept by £12 shifts the burden of police funding from Central Government to local taxpayers. Also even with the £12 increase the West Midlands precept will still be significantly less than neighbouring police forces (for example, Staffordshire's precept in 2017/18 is £181.16 which is £64.61 above the West Midlands).

CONSULTATION ON BUDGET AND PRECEPT PROPOSALS

6. In view of the ongoing uncertainties about Government Grant levels in 2018/19, the Commissioner did not commence consultation on budget proposals for 2018/19 until the provisional grant announcements were reviewed on 22 December. The consultation period ran until 2 February 2018. 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 £12 increase.

PROPOSED REVENUE BUDGET 2018/19

8. The Commissioner is proposing a Revenue Budget for 2018/19 based on the following:-
- (a) Maintaining the numbers of police officers and police community support officers (PCSOs) at least 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 provision of improved equipment and technology to frontline officers to support capability, safety and welfare.
- (d) The costs and benefits arising from the continued support for the WMP2020 transformation programme.
- (e) The continued commitment to maintain Community Safety Funding at 2017/18 levels.
- (f) A planned use of the Budget Reserve in 2018/19 of £14.3m.

9. The table below analyses the changes between the proposed 2018/19 Revenue Budget compared to 2017/18 budget. The subjective analysis of the proposed 2018/19 budget is shown in **Appendix One**.

	<i>£m</i>	<i>£m</i>
2017/18 Approved Revenue Budget		544.1
Add		
<i>Pay Awards and Inflation</i>	16.9	
<i>New Recruits</i>	9.2	
<i>WMP2020 Project costs</i>	17.6	
Less		
<i>Police, Staff & PCSO Leavers in 2018/19</i>	-20.5	
<i>Removal of 2017/18 Project Costs</i>	-18.1	
<i>Other Adjustments inc External Funding</i>	-1.0	
2018/19 Proposed Revenue Budget		548.2

10. **Appendix One** details an increase in police staff pay of £9.9m. This is due to the following:-

- In line with the MTFP an increase in workforce mix where police staff are employed to complete investigatory roles and other roles that do not need warranted powers.
- Re-investment in capacity in the Force Contact function.
- Police staff pay award.
- Establishing more roles in the People and Organisation Department to enable police officer recruitment to take place.
- One off costs (for 2018/19 only) in enabling services specifically in Information Technology & Development and project support.

FORECASTING STAFFING

11. The 2017/18 budget funded 200 police staff posts (workforce mix) that would transfer duties from police officers. An extensive review has identified 170 posts that meet this criteria and are being implemented. The 2018/19 budget transfers the funding for the remaining 30 police staff posts to police officers. The proposed increase in council tax precept and greater certainty of grant funding over the next two financial years enables an increase of 50 police officer posts in 2018/19 and a further 50 police officer posts in 2019/20 than was original planned. The medium term financial plan to be published in 2018 will project longer term staffing profiles in line with future funding settlements. The table overleaf shows the revised staffing forecast.

	31 Mar 18 (FTE)	31 Mar 19 (FTE)	31 Mar 20 (FTE)
Police Officers			
<i>Original</i>	6,528	6,400	6,400
<i>Revised</i>	6,528	6,450	6,500
Increase	-	50	100
Police Staff			
<i>Original</i>	3,500	3,479	3,423
<i>Revised</i>	3,470	3,449	3,393
Decrease	-30	-30	-30
PCSO			
<i>Original- no change</i>	464	464	464
Total Original Staff	10,492	10,343	10,287
Total Revised Staff	10,462	10,363	10,357

WMP2020 PROGRAMME OF WORK

12. Within the 2018/19 revenue budget expenditure £17.6m is included to cover the costs of the WMP2020 programme. This expenditure on projects enables approximately £22m of savings during 2018/19 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 deliver ongoing benefits beyond 2018/19.

OFFICE OF THE POLICE AND CRIME COMMISSIONER

13. The proposed budget for the Office of the Police and Crime Commissioner (OPCC) for 2018/19, compared to the budget for 2017/18 is shown in the table below. The OPCC's budget has absorbed cost pressures since its formation in 2012, including the requirement to undertake additional functions that have been transferred from other organisations and the impact of inflation. For example, the government's requirement to have legally qualified chairs at police misconduct hearings from April 2016, the office now supports the Active Citizen Fund initiative distributing funding to Neighbourhood Policing Units to support local projects and commissions victims services across the region. In addition the OPCC manages a significant number of external funded projects totally £11m supporting crime prevention and tackling gangs and violence across the area. Also the OPCC from April 2018 is administering the new West Midlands Community Safety Partnership which local authorities previously undertook. The office has also recently taken the responsibility officially for the Appropriate Adults scheme which supports vulnerable adults in custody. The 2018/19 budget includes provision for supporting revised arrangements relating to the handling of complaints as a result of the Police and Crime Act 2017.

	Budget 2017/18 £000	Proposed 2018/19 £000
<i>Governance</i>	290	318
<i>Staff & Office Support Costs</i>	1,334	1,708
<i>Consultation, ICT and Systems</i>	75	77
<i>Police Misconduct Hearings incl Legally Qualified Chairs</i>	50	65
<i>Subscriptions</i>	33	33
<i>Bank Charges and External Audit Fees</i>	83	83
<i>Custody Visiting</i>	5	5
<i>Professional Services</i>	50	50
<i>Mental Health Commission Secondment</i>	25	18
Total	1,945	2,357

COMMUNITY SAFETY FUNDING

14. The Commissioner has made a commitment to maintain the levels of Community Safety Funding in 2018/19 at 2017/18 levels at £3,863,308.

RESERVES AND MEDIUM TERM FINANCIAL PLANNING

15. The prudent use of reserves to support spending continues to be a key factor in the Medium Term Financial strategy. The following table details the level of reserves at 31 March 2017 and the estimated level of reserves up until March 2019.

	<i>Balance as at March 2017</i>	<i>Estimated Balance as at March 2018</i>	<i>Estimated Balance as at March 2019</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>Capital Reserve</i>	6.7	0.0	0.0
<i>Budget Reserve (Including Devolved Budget)</i>	35.2	8.0	5.9*
<i>Budget Resilience</i>	25.5	25.5	11.2*
<i>Risk Reserve</i>	1.0	1.0	1.0
<i>POCA Income Reserve</i>	0.8	0.6	0.4
<i>Redundancy and Equal Pay Reserve</i>	8.1	8.1	8.1**
<i>Self-funded Insurance Reserve</i>	10.3	10.3	10.3
<i>Uniform and Protective Equipment Reserve</i>	4.1	2.8	2.8
<i>Major Incident Reserve</i>	2.2	2.2	2.2
<i>Earmarked Reserves</i>	94.0	58.5	41.9
<i>General Reserve</i>	12.0	12.0	12.0
<i>TOTAL RESERVES</i>	106.0	70.5	53.9

*These reserves are to be combined from this point onwards

**Use of this earmarked reserve to be determined during 2018/19

16. Following receipt of the provisional grant settlement, the Commissioner is now in the process of revising the Medium Term Financial Plan (MTFP). During 2018/19 a refresh of the financial strategy linked to the WMP2020 programme of work will take place.
17. 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 and these two reserves will be combined from 2019/20 onwards. The forecast drawdown will be known when the revised MTFP financial plan is produced. In addition, £2.1m of the Devolved Budget Reserve is planned to be used in 2018/19 to support invest to save opportunities.

CAPITAL PROGRAMME 2018/19 – 2021/22

18. The main items in the capital programme contained in the table overleaf include major investments in new technology through the Connect, Emergency Services Mobile Communications Programme and Data Driven Insight Projects. In addition there is funding for the vehicle and plant replacement programme; and investment in ICT. The capital programme will be financed by a combination of revenue reserves, capital grants, capital receipts and additional borrowing as required.
19. During 2018 a revised Estates Strategy will be launched. As the plans develop further the strategy and its financing will be incorporated into the overall capital programme. 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 brought to the Commissioner's Strategic Policing and Crime Board for detailed consideration in due course.

20. The proposed capital programme is detailed below:-

	2017/18 Current Budget £m	2018/19 Proposed Budget £m	2019/20 Proposed Budget £m	2020/21 Proposed Budget £m	2021/22 Proposed Budget £m	Total Prog £m
WMP2020:						
Connect	7.4	3.4	0.2	0.0	0.0	11.0
ESMCP	1.0	5.4	0.0	0.0	0.0	6.4
Data Driven Insight (DDI)	5.8	0.5	0.0	0.0	0.0	6.3
New Ways of Investigating	2.1	1.2	0.0	0.0	0.0	3.3
New Ways of Responding	2.1	0.3	0.3	0.1	0.0	2.8
Next Generation Enabling Services	2.4	0.0	0.0	0.0	0.0	2.4
Command & Control	0.4	0.7	1.0	0.0	0.0	2.1
Smarter Responding	1.8	0.0	0.0	0.0	0.0	1.8
Redesigning Investigations	0.1	0.0	0.0	0.0	0.0	0.1
Total WMP2020	23.1	11.5	1.5	0.1	0.0	36.2
Business as Usual						
Fleet	4.6	3.0	3.0	3.0	3.0	16.6
IT & Digital	5.5	1.8	1.6	0.6	0.5	10.0
Equipment	0.3	1.2	0.7	0.2	0.2	2.6
CTU	1.2	0.0	0.0	0.0	0.0	1.2
Total BAU	11.6	6.0	5.3	3.8	3.7	30.4
Total Spend	34.7	17.5	6.8	3.9	3.7	66.6
Funded By:						
Capital Grant (estimated)						-12.1
Capital Receipts						-27.2
Reserves/Borrowing						-26.1
Specific Capital Grant						-1.2
Total Funding						-66.6
Net Surplus/Deficit						0.0

CAPITAL FINANCING

21. 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.

22. 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. The current plan to 2021/22 will require additional borrowing with the exact timings will be dependent on the phasing of capital investment and will be reflected in the treasury management strategy and reported to Joint Audit Committee.

PRECEPT PROPOSALS

23. 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>2018/19 Taxbase</i>	<i>2017/18 Surplus / (Deficit) on Collection Fund</i>
<i>Birmingham</i>	<i>248,838.00</i>	<i>*</i>
<i>Coventry</i>	<i>80,815.40</i>	<i>397,388</i>
<i>Dudley</i>	<i>91,427.39</i>	<i>*</i>
<i>Sandwell</i>	<i>72,206.05</i>	<i>*</i>
<i>Solihull</i>	<i>75,972.00</i>	<i>96,798</i>
<i>Walsall</i>	<i>69,742.96</i>	<i>144,491</i>
<i>Wolverhampton</i>	<i>62,816.47</i>	<i>62,000</i>
<i>Total</i>	<i>701,818.27</i>	<i>*</i>

****To be confirmed***

24. Although the provisional grant figures for 2018/19 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, the Commissioner would be proposing the following Budget for 2018/19 and an average precept increase of £12 as set out in the following tables.

	2017/18	2018/19
	£m	£m
Total Revenue Budget	544.1	548.2
Less: Collection Fund Surplus*	-1.5	*
Less: Government grant	-444.1	-444.1
Balance to Fund via Reserves & Precept	98.5	104.1
Less: Use of Reserves	-18.2	-14.3
Precept (including £12 Increase for 18/19)	-80.3	-89.8

*Subject to final confirmation

- 25 This would produce a charge for each property band for 2018/19, as follows:-

		2017/18	2018/19		
	Statutory Proportion	Precept	Precept	Change Annual	Change Weekly
		£ : p	£ : p	£ : p	£ : p
A	6/9	77.70	85.70	8.00	0.15
B	7/9	90.65	99.98	9.33	0.18
C	8/9	103.60	114.27	10.67	0.21
D	9/9	116.55	128.55	12.00	0.23
E	11/9	142.45	157.12	14.67	0.28
F	13/9	168.35	185.68	17.33	0.33
G	15/9	194.25	214.25	20.00	0.38
H	18/9	233.10	257.10	24.00	0.46

- 26 For most Council Taxpayers in the West Midlands the increase would be just 23p on average 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 effect if all PCCs increase their precept by the maximum permitted amount. This demonstrates that the precept for West Midlands is significantly less than its nearest neighbours.

APPROVAL OF THE REVENUE BUDGET AND PRECEPT

- 27 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

- 28 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 2018/19 be set at **£548,138,000**.
 - 2 Community Safety Funding will be maintained at 2017/18 levels.
 - 3 The Band D precept for 2018/19 should be set at **£128.55** an increase of £12 compared to 2017/18.
 - 4 The Capital Budget for 2018/19 and Capital Programme for 2018/19 – 2021/22 be as set out in paragraph 20.

Appendix 1 – Summary of Revenue Budget 2018/19

Appendix 2 – Indicative National Police Council Tax precepts 2018/19 (based on maximum precept increases)

	Budget 2017/18 £000	Proposed Budget 2018/19 £000
<i>Police pay</i>	352,798	352,481
<i>Police Community Support Officers</i>	13,249	14,048
<i>Support staff pay</i>	98,126	108,002
<i>Other employees expenses</i>	2,118	1,805
Sub total	466,292	476,336
<i>Premises</i>	17,052	17,308
<i>Transport</i>	7,892	6,844
<i>Supplies and services</i>	43,849	40,497
<i>Agency</i>	5,407	4,980
<i>Capital Financing Costs</i>	3,342	4,049
<i>External income</i>	-26,267	-27,734
<i>WMP2020 Project Costs</i>	18,660	17,550
Police Force	536,227	539,830
<i>Office of the Police & Crime Commissioner</i>	1,945	2,357
<i>Community Safety Funding</i>	3,863	3,863
<i>Active Citizens</i>	800	800
<i>Grant Expenditure</i>	1,288	1,288
<i>Victim Services Expenditure</i>	3,322	3,330
<i>Victim Services Income</i>	-3,322	-3,330
OPCC Total	7,897	8,308
Total Revenue Budget	544,124	548,138

Council Tax - Precept Band D with £12 Increase - 2018/19

