



PRELIMINARY REVENUE BUDGET AND CAPITAL PROGRAMME PROPOSALS 2019/20

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 2019/20. Further details will be presented to the Panel at its meeting on 4 February 2019, 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 2019/20, the Commissioner did not commence consultation on budget proposals for 2019/20 until the Provisional Grant announcements were reviewed on 18 December. The consultation period runs until 31 January 2019.

2019/20 PROVISIONAL GRANT SETTLEMENT

3. The total grant settlement for the West Midlands in 2019/20 is £460m which is an increase of £15.9m on the 2018/19 settlement. This includes an increase of £8.9m in additional formula funding and £7m in pension grant. The pension grant is specific funding which the government will fund from a reserve.
4. The other 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 £24 per year per Band D property in 2019/20. This expectation is for all PCC's with no differential for the existing low precepting areas.
 - The Force has significant cost pressures in 2019/20 including increased costs of the employers' contributions to the police pension scheme which are now estimated to be £15.4m per annum.
 - For 2019/20 existing formula damping arrangements remain unchanged.

- The government expects PCCs to pay for the 2018 pay award and costs of the 2019 pay award from the funding settlement.
- Capital grant allocations of £2.5m for the West Midlands in 2019/20 are the same as 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.

RESPONDING TO THE PROVISIONAL SETTLEMENT

5. The consultation period on the Provisional Funding Settlement ends on 10 January 2019, after which final allocations will be confirmed. The Commissioner has the following observations on the provisional settlement:

- The settlement is a real terms cut with an additional £32.4m required to cover additional pension costs, government set pay increases and rising fuel costs this year.
- The average £24 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 and has the second lowest precept level nationally.
- The ability to raise the precept by £24 shifts the burden of police funding from Central Government to local taxpayers. Also even with the £24 increase the West Midlands precept will still be significantly less than neighbouring police forces (for example, Staffordshire's precept in 2018/19 is £192.55 which is £64.00 above the West Midlands). The settlement has only provided £15.9m additional grant therefore the increases needed in funding to maintain current services must be met by local taxpayers.
- The increase in grant is almost all taken up by the additional pension costs and funding raised through increasing the precept by £24 will only just cover the costs of inflationary pressures in 2019/20.
- 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 damping mechanism in the current police funding formula penalises West Midlands Police by around £40 million per annum.

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. This includes a provision for the pay award across police officers and staff of 2%.
- The additional cost of funding the police officer pension scheme due to the change in the discount rate.

- 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 level of reserves available to support the revenue budget because expenditure will still exceed resources over next financial year. In line with the current medium term financial plan the only reserves available by 2020 will be those reserves that are required for the day to day operation of the Force. This includes the general reserve, insurance, uniform and major incidents reserves.
- West Midlands Police continuing to drive efficiency across the Force to increase capability and capacity.

7. The key budget proposals will therefore be:

- a) The continued recruitment of police officers and PCSOs to ensure that planned numbers are maintained.
- b) The provision of improved equipment and technology to frontline officers to support capability, safety and welfare.
- c) The opportunity to have a workforce more representative of the public we serve by recruiting more BME police officers, police staff and PCSOs.
- d) The growth of apprenticeships and the introduction of police cadets across the West Midlands.
- e) A precept increase of £24 in line with the Council Tax referendum limit principles that applies to West Midlands Police together with the prudent use of reserves.
- f) Maintaining Community Safety Funding at 2018/19 levels.
- g) A planned use of reserves to support the revenue budget in 2019/20 of £5.3m.

8. The implications of the 2019/20 provisional settlement are set out in the following table:

	2019/20
	<i>£m</i>
Base Budget	587.3
WMP2020 Net Benefits	-13.0
Total Spend	574.3
Government Grants	-460.0
Precept	-109.0
Use of Reserves	5.3

9. The 2019/20 provisional base budget includes provisions for the pay award for all officers and staff, inflationary pressures on non-pay, attrition and recruitment in line

with the Force's workforce plan. It is forecast that £5.3m of reserves will be needed to balance the revenue budget in 2019/20.

COUNCIL TAX ISSUES

10. All Police and Crime Commissioners in England have a Council Tax referendum threshold of £24 on average irrespective of the current level of precept. An increase above £24 would require a referendum to take place.
11. The following table sets out what the £24 would mean for local Council Tax Bands:-

<i>Band</i>	<i>Statutory Proportion</i>	<i>2018/19 Precept £ : p</i>	<i>£24 Increase £ : p</i>	<i>Change Annual £ : p</i>
A	6/9	85.70	101.70	16.00
B	7/9	99.98	118.65	18.67
C	8/9	114.27	135.60	21.33
D	9/9	128.55	152.55	24.00
E	11/9	157.12	186.45	29.33
F	13/9	185.68	220.35	34.67
G	15/9	214.25	254.25	40.00
H	18/9	257.10	305.10	48.00

12. The Commissioner is consulting on a precept increase of an average £24 per year (equivalent to 18.7%). For Band D Council Taxpayers in the West Midlands this increase would be £2 per month and the Police precept in the West Midlands would still be amongst the lowest in the country.
13. The graph in Appendix One shows the Council Tax precept Band D levied across all English forces for 2019/20 if all Police and Crime Commissioners increase their precept by £24. The graph demonstrate that the precept for West Midlands is significantly less than its nearest neighbours, both in terms of size and location.
14. Based on the Office of Budget Responsibility estimates the Tax Base is assumed to increase by 1.41% for 2019/20 this in conjunction with a precept increase of £24 would generate an additional £18.3m in 2019/20. The Tax Base will be confirmed by local authorities before the budget is set in February 2019 and any changes to the assumption will be reported at that time.

CAPITAL PROGRAMME

15. The main items in the capital programme contained in the table overleaf include major investments in the Force Estates Strategy as well as the continued investment in new technology through the Connect, 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.

	2018/19 Current Budget £m	2019/20 Proposed Budget £m	2020/21 Proposed Budget £m	2021/22 Proposed Budget £m	2022/23 Proposed Budget £m	Total Prog £m
WMP2020:						
Connect	2.5	1.9	0.0	0.0	0.0	4.4
ESMCP	6.3	0.0	0.0	0.0	0.0	6.3
Data Driven Insight (DDI)	1.7	0.0	0.0	0.0	0.0	1.7
New Ways of Investigating	0.3	0.0	0.0	0.0	0.0	0.3
New Ways of Responding	1.2	0.0	0.0	0.0	0.0	1.2
Next Generation Enabling Services	0.3	0.0	0.0	0.0	0.0	0.3
Smarter Responding	1.5	0.0	0.0	0.0	0.0	1.5
ANPR	0.8	0.0	0.0	0.0	0.0	0.8
Taser Replacement	0.4	0.0	0.0	0.0	0.0	0.4
Total WMP2020	15.0	1.9	0.0	0.0	0.0	16.9
Business as Usual						
Fleet	3.6	3.0	3.0	3.0	3.0	15.6
IT & Digital	2.2	1.6	4.6	0.5	0.5	9.4
Equipment	1.2	1.6	0.2	0.2	0.2	3.4
CTU	1.5	0.0	0.0	0.0	0.0	1.5
Total BAU	8.5	6.2	7.8	3.7	3.7	29.9
Estates Strategy						
Acquisitions/Construction	6.3	35.0	33.1	10.7	5.8	90.9
Refurbishment	5.3	9.6	7.7	1.9	0.6	25.1
Total Estates Strategy	11.6	44.6	40.8	12.6	6.4	116.0
Total Spend	35.1	52.7	48.6	16.3	10.1	162.8
Funded By:						
Capital Grant (estimated)						-12.1
Capital Receipts						-27.2
Reserves/Borrowing						-122.3
Specific Capital Grant						-1.2
Total Funding						-162.8

KEY ISSUES FOR PANEL CONSIDERATION

17 The Panel is asked to consider the following:-

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

- The commitment to maintain the numbers of police officers and PCSOs in line with the Medium Term Financial Plan.
- The provision of improved equipment and technology to frontline officers to support capability, safety and welfare.

- The costs and benefits arising from the continued support for the WMP2020 transformation programme.
 - The continued commitment to maintain Community Safety Funding at 2018/19 levels.
 - A planned use of reserves to support the revenue budget in 2019/20 of £5.3m.
- (b) That the Commissioner is minded to set a precept increase of £24 on Band D properties and the associated increase on all other properties in 2019/20.

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Appendix One

