

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

Date: 4 February 2019

Police and Crime Panel Review of Policing Budget and Precept 2019-2020

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.

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 18th February 2019 to consider the PCC's revised precept.

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.

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2019/20 REVENUE BUDGET AND PRECEPT CAPITAL PROGRAMME 2019/20 – 2022/23

Report of the Police and Crime Commissioner

There is a statutory requirement for the Police and Crime Commissioner (PCC) 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 14 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 2019/20 Revenue Budget and Precept and Capital Programme 2019/20 to 2022/23.

BACKGROUND

2. This report follows the preliminary budget and precept proposals (an increase in precept of £24 for 2019/20 for a Band D property and subsequent increases across all other bandings) which were considered by the Panel at its meeting on 14 January. The Government confirmed on the 24 January 2019 the final police settlement for 2019/20 which is in line with the preliminary announcement.

GOVERNMENT GRANT SETTLEMENT 2019/20

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. 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.
 - For the West Midlands capital grant allocations of £2.5m remain the same in 2019/20 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. 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. Therefore it is nearly a standstill funding settlement in 2019/20 from the Government.
5. At the Panel held on 14 January the Commissioner set out proposals for an increase in police Council Tax precept of £24 for a Band D property. This increase is a requirement not discretionary for an area such as the West Midlands that are more reliant on funding from Central Government and has the second lowest precept level nationally.
6. The ability to raise the precept by £24 continues to shift 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.

CONSULTATION ON BUDGET AND PRECEPT PROPOSALS

7. The consultation on budget proposals for 2019/20 ran until 31 January 2019. An update will be provided at the meeting on the outcome of this consultation.
8. The Commissioner also held a consultation meeting with representatives of Business Ratepayers where no specific objections were raised around the proposed £24 increase.

PROPOSED REVENUE BUDGET 2019/20

9. The Commissioner is proposing a Revenue Budget for 2019/20 based on the following:-
- (a) The continued recruitment of Police Officers and PCSO's to ensure that planned numbers are maintained as detailed in paragraph 11.
 - (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 growth of apprenticeships and the continued introduction of Police Cadets across the West Midlands.
 - (d) 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
 - (e) The costs and benefits arising from the continued support for the WMP2020 transformation programme.
 - (f) The continued commitment to maintain Community Safety Funding at 2018/19 levels.
 - (g) A planned use of the Budget Reserve in 2019/20 of £5.3m.
 - (h) Continued work on efficiencies and productivity to redirect resources to frontline policing as a priority.
10. The table below analyses the changes between the proposed 2019/20 Revenue Budget compared to 2018/19 budget. The subjective analysis of the proposed 2019/20 budget is shown in **Appendix One** with the revised budget from November 2018 which includes the application of earmarked carry forwards from the previous financial year.

	£m
2018/19 Approved Revenue Budget	548.2
<i>Police Officer Pension Increase</i>	15.1
<i>Pay Adjustments, Inflation & Increments (including recruits)</i>	17.6
<i>Net movement in WMP2020 Projects</i>	-6.6
2019/20 Proposed Revenue Budget	574.3

FORECASTING STAFFING

11. The table below details the forecast staffing levels across the Force including police officers, police staff and PCSO's. There is a continued commitment to maintaining the number of Police Officers and PCSO's across the Force.

	31 Mar 19	31 Mar 20	31 Mar 21
	<i>(FTE)</i>	<i>(FTE)</i>	<i>(FTE)</i>
<i>Police Officers</i>	6,489	6,539	6,539
<i>Police Staff</i>	3,554	3,466	3,365
<i>PCSO</i>	464	464	464
Total Staff	10,507	10,469	10,368

12. The 2019/20 funding settlement only allows officers to be maintained at previous plans. Therefore, due to a virtual standstill budget officer number can only be increased if further efficiencies are achieved. The Commissioner and Chief Constable are working together on continued efficiencies, further savings and increasing the capability of officers and staff.

WMP2020 PROGRAMME OF WORK

13. Within the 2019/20 revenue budget expenditure £10.8m is included to cover the costs of the WMP2020 programme. This expenditure reduces compared to 2018/19 due to the fact that many of the change projects have now completed and moved into business as usual.
14. The revenue costs included within the 2019/20 budget fund major technological advances in Force systems to improve efficiency. The benefits of these projects will be delivered beyond the 2019/20 financial year.

POLICE AND CRIME COMMISSIONER

15. The proposed budget for the Police and Crime Commissioner's office for 2019/20, compared to the budget for 2018/19 is shown in the table below. There has been a number of budget realignments to reflect the costs incurred by the office. The 2019/20 budget includes provision for supporting the revised arrangements relating to the handling of complaints as a result of the Police and Crime Act 2017.

	<i>Budget 2018/19 £000</i>	<i>Proposed 2019/20 £000</i>
<i>Governance</i>	318	410
<i>Staff & Office Support Costs</i>	1,708	1,658
<i>Consultation, ICT and Systems</i>	77	112
<i>Police Misconduct Hearings incl Legally Qualified Chairs</i>	65	35
<i>Subscriptions</i>	33	33
<i>Bank Charges and External Audit Fees</i>	83	70
<i>Custody Visiting</i>	5	10
<i>Professional Services</i>	50	50
<i>Mental Health Commission Secondment</i>	18	27
Total	2,357	2,405

COMMUNITY SAFETY FUNDING

16. The Commissioner has made a commitment to maintain the levels of Community Safety Funding in 2019/20 at 2018/19 levels at £3,863,308.

RESERVES

17. 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 anticipated level of reserves at 31 March 2019 and the estimated level of reserves up until March 2020.

	<i>Estimated Balance as at March 2019 £m</i>	<i>Estimated Balance as at March 2020 £m</i>
<i>Budget Reserve (Including Devolved Budget)</i>	9.5	0.0
<i>POCA Income Reserve</i>	0.5	0.0
<i>Self-funded Insurance Reserve</i>	9.4	9.4
<i>Uniform and Protective Equipment Reserve</i>	6.9	4.1
<i>Major Incident Reserve</i>	2.2	2.2
<i>Police Property & Misuse of Drug Act Reserve</i>	0.5	0.0
<i>National Contingency Reserve</i>	2.0	2.0
<i>Earmarked Reserves</i>	31.0	17.7
<i>General Reserve</i>	12.0	12.0
TOTAL RESERVES	43.0	29.7

18. As has been done in previous years during 2019/20 a refresh of the financial strategy linked to the WMP2020 programme of work will take place.

CAPITAL PROGRAMME 2019/20 – 2022/23

19. The main items in the capital programme contained in the table below 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.

20. The proposed capital programme is detailed below:-

	2018/19	2019/20	2020/21	2021/22	2022/23	Total
	Current	Proposed	Proposed	Proposed	Proposed	Prog
	Budget	Budget	Budget	Budget	Budget	
	£m	£m	£m	£m	£m	£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
Command and Control	1.8	1.8	0.0	0.0	0.0	3.6
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	16.8	3.7	0.0	0.0	0.0	20.5
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	36.9	54.5	48.6	16.3	10.1	166.5
Funded By:						
Capital Grant (estimated)						-12.1
Capital Receipts						-44.8
Reserves/Borrowing						-108.4
Specific Capital Grant						-1.2
Total Funding						-166.5

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 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.

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>2019/20 Taxbase</i>	<i>2018/19 Surplus / (Deficit) on Collection Fund (£)</i>
<i>Birmingham</i>	<i>251,580.00</i>	<i>*</i>
<i>Coventry</i>	<i>83,400.10</i>	<i>574,121</i>
<i>Dudley</i>	<i>92,253.95</i>	<i>113,000</i>
<i>Sandwell</i>	<i>74,150.81</i>	<i>63,031</i>
<i>Solihull</i>	<i>76,946.00</i>	<i>117,458</i>
<i>Walsall</i>	<i>70,792.74</i>	<i>*</i>
<i>Wolverhampton</i>	<i>63,996.44</i>	<i>*</i>
Total	713,120.04	867,610

**To be confirmed*

23. Subject to the surpluses and deficits on collection funds, the Commissioner will be proposing the following Budget for 2019/20 and a precept increase of £24 per Band D property and subsequent increases across all other bandings as set out in the following tables.

	<i>2018/19</i>	<i>2019/20</i>
	<i>£m</i>	<i>£m</i>
<i>Total Revenue Budget</i>	<i>548.1</i>	<i>574.3</i>
<i>Less: Collection Fund Surplus*</i>	<i>-1.0</i>	<i>*</i>
<i>Less: Government grant</i>	<i>-444.1</i>	<i>-460.0</i>
<i>Balance to Fund via Reserves & Precept</i>	<i>103.0</i>	<i>114.3</i>
<i>Less: Use of Reserves</i>	<i>-12.8</i>	<i>-5.3</i>
<i>Precept (including £24 Increase for 19/20)</i>	<i>-90.2</i>	<i>-109.0</i>

**Subject to final confirmation*

- 24 This would produce a charge for each property band for 2019/20, as follows:-

<i>Band</i>	<i>Statutory Proportion</i>	<i>2018/19 Precept</i>	<i>2019/20 Precept</i>	<i>Change Annual</i>	<i>Change Weekly</i>
		<i>£ : p</i>	<i>£ : p</i>	<i>£ : p</i>	<i>£ : p</i>
<i>A</i>	<i>6/9</i>	<i>85.70</i>	<i>101.70</i>	<i>16.00</i>	<i>0.31</i>
<i>B</i>	<i>7/9</i>	<i>99.98</i>	<i>118.65</i>	<i>18.67</i>	<i>0.36</i>
<i>C</i>	<i>8/9</i>	<i>114.27</i>	<i>135.60</i>	<i>21.33</i>	<i>0.41</i>
<i>D</i>	<i>9/9</i>	<i>128.55</i>	<i>152.55</i>	<i>24.00</i>	<i>0.46</i>
<i>E</i>	<i>11/9</i>	<i>157.12</i>	<i>186.45</i>	<i>29.33</i>	<i>0.56</i>
<i>F</i>	<i>13/9</i>	<i>185.68</i>	<i>220.35</i>	<i>34.67</i>	<i>0.67</i>
<i>G</i>	<i>15/9</i>	<i>214.25</i>	<i>254.25</i>	<i>40.00</i>	<i>0.77</i>
<i>H</i>	<i>18/9</i>	<i>257.10</i>	<i>305.10</i>	<i>48.00</i>	<i>0.92</i>

- 25 The Commissioner is consulting on a precept increase of £24 for a Band D property 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 the second lowest in the country (as shown in Appendix 2).

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 2019/20 Revenue Budget and Precept and the 2019/20 – 2022/23 Capital Budget and Programme.
- 1 Subject to confirmation of the surpluses and deficits on collection funds that the total Revenue Budget for 2019/20 be set at **£574,335,000**.
 - 2 Community Safety Funding will be maintained at 2018/19 levels.
 - 3 The Band D precept for 2019/20 should be set at **£152.55** an increase of £24 compared to 2018/19.
 - 4 The Capital Budget for 2019/20 and Capital Programme for 2019/20 – 2022/23 be as set out in paragraph 20.

Appendix 1 – Summary of Revenue Budget 2019/20

Appendix 2 – Indicative National Police Council Tax Precepts 2019/20 (based on maximum precept increases)

Appendix One

	Original Budget 2018/19 £000	Revised Budget 2018/19 £000	Proposed Budget 2019/20 £000
<i>Police pay</i>	352,481	349,098	360,480
<i>Police Community Support Officers</i>	14,048	13,100	14,585

<i>Support staff pay</i>	108,002	118,856	124,913
<i>Other employees expenses</i>	1,805	10,505	9,902
Sub total	476,336	491,559	509,880
<i>Premises</i>	17,308	17,063	17,814
<i>Transport</i>	6,844	6,364	6,545
<i>Supplies and services</i>	40,497	36,343	36,217
<i>Agency</i>	4,980	10,361	10,366
<i>Capital Financing Costs</i>	4,049	4,249	7,049
<i>External income</i>	-27,734	-35,781	-32,740
<i>WMP2020 Project Costs</i>	17,550	31,775	10,848
Police Force	539,830	561,933	565,979
<i>Police & Crime Commissioner</i>	2,357	2,357	2,405
<i>Community Safety Funding</i>	3,863	3,863	3,863
<i>Active Citizens</i>	800	1,634	400
<i>Grant Expenditure</i>	1,288	5,613	1,688
<i>Victim Services Expenditure</i>	3,330	3,330	3,347
<i>Victim Services Income</i>	-3,330	-3,330	-3,347
Total Office of the PCC	8,308	13,467	8,356
Total Revenue Budget	548,138	575,400	574,335

