

2020/21 REVENUE BUDGET AND PRECEPT CAPITAL PROGRAMME 2020/21 – 2023/24

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, to enable the Panel to review the precept by 7 February 2020. Due to the general election in December 2019, the police funding settlement was not released by government until the 22 January 2020, therefore this report is the first opportunity the Panel has had to review the PCC's precept proposals for 2020/21.

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 2020/21 Revenue Budget and Precept and Capital Programme 2020/21 to 2023/24.

BACKGROUND

2. This report follows the Police Precept paper presented to the Panel at its meeting on 13 January. The Government announced the police funding settlement for 2020/21 on the 22 January 2020. Due to the lateness of the announcement, there has been no opportunity for the Government to run a consultation period on the settlement. Therefore the announcement on the 22 January 2020 is the final settlement for 2020/21.

GOVERNMENT GRANT SETTLEMENT 2020/21

3. The total grant settlement for the West Midlands in 2020/21 is £502.7m which is an increase of £42.7m on the 2019/20 settlement. This additional funding is for the recruitment of an additional 366 extra police officers in the West Midlands by March 2021 (estimated to rise to around 1,200) as part of the national uplift programme. Other key points of the settlement include:
 - The settlement includes the expectation for PCC's to raise their precept by up to £10 per year per Band D property in 2020/21. This expectation is for all PCC's with no differential for the existing low precepting areas.
 - The Force has significant cost pressures in 2020/21 including pay and price inflation. This is estimated to be around £18m.
 - The additional grant allocation of £42.7m is to fund the additional 366 extra police officers by March 2021 including any infrastructure and equipment costs for the entire uplift programme for the forecasted potential 1,200 additional officers in the West Midlands by March 2023.
 - For 2020/21 existing formula damping arrangements remain unchanged.
 - The government expects PCCs to pay for the 2019 pay award and costs of the 2020 pay award from the funding settlement.
 - For the West Midlands the capital grant allocation has reduced significantly from the 2019/20 allocation of £2.5m to £0.7m in 2020/21.
 - 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 increased grant referred to above will entirely be taken up by the national uplift programme. This cannot be used to fund the cost inflation pressures of £18m.
5. The ability to raise the precept by £10 per Band D property is significantly less than projected in the Commissioner's medium term financial plan that was reviewed by the Police and Crime Panel in September 2019.
6. The ability to raise the council tax police precept of £10 per Band D property will generate approximately £8.2m additional in council tax police precept. This additional income will not meet the costs and inflationary pressures of £18m. Therefore savings will have to be identified to meet the resulting budget gap.
7. Therefore the increase of £10 per Band D property is not discretionary for an area such as the West Midlands that is more reliant on funding from Central Government and has the second lowest precept level nationally.
8. With the £10 increase, the West Midlands precept will still be significantly less than neighbouring police forces (for example, Staffordshire's precept in 2019/20 is £216.55 which was £64.00 above the West Midlands). The grant settlement has only provided an increase to fund the national uplift programme therefore the increases needed in funding to maintain current services must in part be met by local taxpayers.

CONSULTATION ON BUDGET AND PRECEPT PROPOSALS

9. The Commissioner has been undertaking a consultation on a precept increase of £24 per Band D property for 2020/21. This consultation runs until 3 February 2020. An update will be provided at the meeting on the outcome of this consultation.
10. The Commissioner also held a consultation meeting with representatives of Business Ratepayers where no specific objections were raised on a £24 increase per Band D property in 2020/21.

PROPOSED REVENUE BUDGET 2020/21

11. The Commissioner is proposing a Revenue Budget for 2020/21 based on the following:-
 - (a) The continued recruitment of Police Officers and PCSO's to ensure that planned numbers are reached as detailed in paragraph 15.
 - (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, specials and the continued introduction of Police Cadets across the West Midlands.
 - (d) A precept increase of £10 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 final year of the WMP2020 transformation programme.
 - (f) The continued commitment to maintain Community Safety Funding at 2019/20 levels.
 - (g) A planned use of the Reserves in 2020/21 of £3.2m.
 - (h) Continued work on efficiencies and productivity to redirect resources to frontline policing as a priority.
12. The table below analyses the changes between the proposed 2020/21 Revenue Budget compared to 2019/20 budget. The subjective analysis of the proposed 2020/21 budget is shown in **Appendix One** with the revised budget from September 2019 which includes the application of earmarked carry forwards from the previous financial year.

Revenue Budget Movement	£m
2019/20 Original Approved Revenue Budget	575.1
Uplift Programme	42.7
Recruitment of 200 Office Precept Increase	3.8
Pay Adjustments, Inflation & Increments	14.2
Net Movement in Projects	-1.8
Savings to be Identified	-9.9
2020/21 Proposed Revenue Budget	624.1

13. The Force will look to protect any underspends and restrict non-essential spend in 2019/20 to ensure one-off resources to provide mitigation for the funding shortfall in 2020/21 whilst plans are introduced for sustainable solutions.
14. At the point of building the proposed revenue budgets for 2020/21 a number of decisions around national contributions are still outstanding, once clarified these will be reflected in the revised budget in year during 2020/21.

FORECASTING STAFFING

15. The table below details the forecast staffing levels including those relating to the national uplift programme across the Force including police officers, police staff and PCSO's. There is a continued commitment to recruit up to the number of Police Officers and PCSO's outlined below:

	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23
Workforce Breakdown	FTE	FTE	FTE	FTE
Police Officers	6,613	7,122	7,612	7,901
Police Staff *	3,902	3,873	4,034	4,140
PCSO	464	476	464	464
Total Workforce	10,979	11,471	12,110	12,505

* Includes an estimated increase in relation to Uplift

16. The 2020/21 funding settlement allows officer numbers to be increased by 366 and staff numbers by an estimated 122 by the end of March 2021 as part of the national uplift programmes. The numbers above also include short term funding for the Commonwealth Games, the City of Culture and the Home Office Surge Funding. The Commissioner and Chief Constable are also working together on continued efficiencies, further savings and increasing the capability of officers and staff.

WMP2020 PROGRAMME OF WORK

17. Within the 2020/21 revenue budget expenditure of £9.1m is included to cover the costs of the remaining WMP2020 programme.
18. The revenue costs included within the 2020/21 budget fund major technological advances in Force systems to improve efficiency and the revenue costs / benefits associated with the Estates Strategy. The benefits of these projects will be delivered beyond the 2020/21 financial year.

POLICE AND CRIME COMMISSIONER

19. The proposed budget for the Police and Crime Commissioner's office for 2020/21, compared to the budget for 2019/20 is shown in the table below. The 2020/21 budget includes provision for supporting the revised arrangements relating to the handling of complaints as a result of the Police and Crime Act 2017, provision for increased pension costs, national pay awards and extra capacity to deliver against initiatives such as supporting the Violence Reduction Unit.

	Budget 2019/20	Proposed Budget 2020/21
Office of Police and Crime Commissioner Breakdown	£,000	£,000
Governance	410	412
Staff & Office Support Costs	1,685	1,881
Consultation, ICT and Systems	112	112
Police Misconduct Hearings incl Legally Qualified Chairs	35	35
Subscriptions	33	35
Bank Charges and External Audit Fees	70	70
Custody Visiting	10	10
Professional Services	50	50
Total	2,405	2,605

COMMUNITY SAFETY FUNDING

20. The Commissioner has made a commitment to maintain the levels of Community Safety Funding in 2020/21 at 2019/20 levels at £3,863,308.

RESERVES

21. 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 2020 and the estimated level of reserves up until March 2021.

	Estimated Balance as at March 2020 £m	Estimated Balance as at March 2021 £m
Reserve Breakdown		
Budget Reserves	4.3	1.6
Other Reserves	1.0	0.5
Self-funded Insurance Reserve	8.2	8.2
Uniform and Equipment Reserve	3.7	3.7
Major Incident Reserve	2.2	2.2
National Contingency Reserve	1.1	1.1
Earmarked Reserves	20.5	17.3
General Reserve	12.0	12.0
TOTAL RESERVES	32.5	29.3

22. As in previous years a refresh of the financial reserves strategy linked to the WMP2020 programme of work will take place during the early part of 2020/21.

CAPITAL PROGRAMME 2019/20 – 2023/24

23. 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 system and Mobile Communications. In addition there is funding for the vehicle and plant replacement programme and investment in ICT, including vehicles and ICT in relation to the uplift programme. The capital programme will be financed by a combination reserves, revenue contributions to capital, capital grants, capital receipts and additional borrowing as required.
24. The proposed capital programme is detailed below.

	2019/20 Current Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total Capital Programme
	£m	£m	£m	£m	£m	£m
Capital Programme Breakdown						
Business as Usual:						
Fleet inc. Uplift	3.9	6.7	4.7	4.6	5.9	25.8
IT & Digital	3.4	0.6	0.6	0.6	0.6	5.8
Desktop Replacement inc. uplift	2.7	2.4	2.2	2.2	2.2	11.7
Mobile Communications	8.1	-	-	-	6.0	14.1
Equipment	0.2	0.3	0.3	0.3	0.3	1.4
CTU	1.9	-	-	-	-	1.9
Total Business as Usual	20.2	10.0	7.8	7.7	15.0	60.7
WMP2020	3.1	4.2	-	-	-	7.3
Estates Strategy	39.0	34.8	51.1	21.5	5.1	151.5
Total Capital Programme Spend	62.3	49.0	58.9	29.2	20.1	219.5
Funded by:						
Capital Grant						- 7.8
RCCO inc. Uplift						- 37.2
Capital Receipts						- 51.4
Borrowing / Reserves						- 121.1
Specific Grant						- 1.9
Total Funding:						- 219.5

CAPITAL FINANCING

25. 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

26. 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.

Authority	2019/20 Surplus on Collection	
	2020/21 Taxbase	Fund £
Birmingham	254,654.00	669,000
Coventry	83,905.50	179,987
Dudley	93,074.22	89,000
Sandwell	74,280.91	31,365
Solihull	77,566.00	84,380
Walsall	71,549.80	76,247
Wolverhampton	64,726.80	44,000
Total	719,757.23	1,173,979

27. Subject to final approval by Local Authorities on Tax Base and the surpluses on collection funds, the Commissioner will be proposing the following Budget for 2020/21 and a precept increase of £10 per Band D property and subsequent increases across all other bandings as set out in the following tables.

	2019/20	2020/21
	£m	£m
Total Revenue Budget	575.1	624.1
Less: Collection Fund Surplus	-1.1	-1.2
Less: Government Grant	-460.0	-502.7
Balance to Fund via Reserves & Precept	114.1	120.2
Less: Planned Use of Reserves	-5.3	-3.2
Precept (including £10 Increase for 20/21)	108.8	117.0

28. This would produce a charge for each property band for 2020/21 as follows:

Band	Statutory Proportion	2019/20	2020/21	Change	Change
		Precept £:p	Precept £:p	Annual £:p	Weekly £:p
Band A	6/9	101.70	108.37	6.67	0.13
Band B	7/9	118.65	126.43	7.78	0.15
Band C	8/9	135.60	144.49	8.89	0.17
Band D	9/9	152.55	162.55	10.00	0.19
Band E	11/9	186.45	198.67	12.22	0.24
Band F	13/9	220.35	234.79	14.44	0.28
Band G	15/9	254.25	270.92	16.67	0.32
Band H	18/9	305.10	325.10	20.00	0.38

29. As per the funding settlement the Commissioner is now proposing a precept increase of £10 for a Band D property per year (equivalent to 6.6%). For Band D Council Taxpayers in the West Midlands this increase would be £0.83 per month and the Police precept in the West Midlands would still be the second lowest in the country (as shown in Appendix 2). It is also important to note the majority of properties in the West Midlands are banded lower banded properties.

APPROVAL OF THE REVENUE BUDGET AND PRECEPT

30. 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

31. The Police and Crime Panel is invited to consider the following proposals from the West Midlands Police and Crime Commissioner in respect of the 2020/21 Revenue Budget and Precept and the 2019/20 – 2023/24 Capital Budget and Programme.
- 1 Subject to confirmation of the surpluses and deficits on collection funds that the total Revenue Budget for 2020/21 be set at **£624,096,400**.
 - 2 Community Safety Funding will be maintained at 2019/20 levels.
 - 3 The Band D precept for 2020/21 should be set at **£162.55** an increase of £10 compared to 2019/20.
 - 4 The Capital Budget for 2020/21 and Capital Programme for 2019/20 – 2023/24 be as set out in paragraph 23.

Appendix 1 – Summary of Revenue Budget 2020/21

Appendix 2 – Indicative National Police Council Tax Precepts 2020/21 (based on maximum precept increases)

Appendix One

	2019/20 Original Budget £,000	2019/20 Revised Budget £,000	2020/21 Proposed Budget £,000	2020/21 Uplift Budget* £,000	2020/21 Total Proposed Budget £,000
Income and Expenditure Breakdown					
Police Pay	360,480	358,897	366,619	8,376	374,995
Police Community Support Officers	14,585	15,660	14,948	0	14,948
Police Staff Pay	124,914	129,000	136,092	4,724	140,816
Other Employee Expenses	9,903	11,218	11,304	284	11,588
Sub Total	509,882	514,775	528,964	13,384	542,348
Premises	17,814	17,732	17,865	0	17,865
Transport	6,545	6,908	6,659	0	6,659
Supplies and Services	36,953	41,654	41,805	21,454	63,259
Third Party Payments	11,030	11,958	11,990	0	11,990
Capital Financing	7,049	7,537	7,044	7,900	14,944
External Income	-33,329	-44,971	-40,651	0	-40,651
Savings to be determined	0	0	-9,893	0	-9,893
WMP2020 Project Costs	10,848	27,318	9,059	0	9,059
Police Force	566,792	582,911	572,841	42,738	615,579
Office of Police and Crime Commissioner	2,405	2,440	2,605	0	2,605
Community Safety Funding	3,863	4,532	3,863	0	3,863
Active Citizens	400	1,153	400	0	400
External Commissioning	1,688	4,803	1,688	0	1,688
Victim Services Expenditure	3,347	3,330	3,409	0	3,409
Victim Services Income	-3,347	-3,330	-3,409	0	-3,409
Violence Reduction Unit Expenditure	0	3,370	3,370	0	3,370
Violence Reduction Unit Income	0	-3,370	-3,370	0	-3,370
Total Office of the PCC	8,356	12,928	8,556	0	8,556
Total Revenue Budget	575,148	595,839	581,397	42,738	624,135
Government Grants including Uplift **	-459,988	-459,988	-459,988	-42,738	-502,726
Council Tax inc. Surplus on Collection Fund	-109,860	-109,860	-118,171	0	-118,171
Planned Use of Reserves	5,300	25,991	3,238	0	3,238

* Provisional Income and Expenditure Breakdown

** 2019/20 Does not include the uplift for 2019/20

Council Tax Police Precept, Band D with £10 Increase - 2020-21

