



**STRATEGIC POLICING AND CRIME BOARD**  
**7 January 2014**

**Provisional Police Funding Settlement 2014/15**

**PURPOSE OF REPORT**

1. This report provides an update on the provisional funding settlement for 2014/15 and the implications for the 2014/15 Budget Strategy and Medium Term Financial Plan (MTFP).

**FUNDING SETTLEMENT**

2. On 18<sup>th</sup> December 2013 the Government announced the funding settlement for local policing bodies for 2014/15 only. Decisions on the impact of the Chancellor's Autumn Statement on police funding in 2015/16 will be made at a later date after careful consideration of all Home Office budgets.

Revenue Allocation

3. The headlines from the settlement announced are as follows:
  - Although the total level of Government Revenue Funding for Police in 2014/15 is 3.3% less than 2013/14, the reduction in core Government funding (i.e. funding that is subject to damping) is 4.8%.
  - This is because of "top slicing" for the Innovation Fund (£50M) and the IPCC (£18M) and new funding streams for the College of Policing (£3M for direct entry schemes), HMIC (£9.4M to fund a new annual programme of all force inspections) and the City of London Police (£2M in recognition of the national and international capital city functions carried out).
  - The total funding allocated to West Midlands Police is £475.9m, a reduction of £22.9m or 4.6% compared to 2013/14.
  - As expected the Community Safety Fund has been subsumed into Main Police Grant.
  - For 2014/15 existing formula damping arrangements remain unchanged.
  - The Home Secretary expects it to take three years for the IPCC to reach full capacity, so it is likely that there will be further additional "top slicing" in 2015/16 and 2016/17.

- From 2014/15 council tax freeze grants relating to the 2011/12 and 2013/14 schemes and Local Council Tax Support Grant of £19m will be paid to the PCC by the Home Office rather than the DCLG as in previous years.
- Council tax referendum principles for 2014/15 are likely to be issued with the final report on the Local Government Finance Settlement expected around end of January to early February 2014.

4. The total funding allocated is summarised below:

	2013/14	2014/15	Difference	
	£m	£m	£m	%
Police Grant	282.3	268.7	-13.6	-4.8
DCLG Formula Funding	197.5	188.2	-9.3	-4.7
Council Tax Grants	19.0	19.0	0.0	0.0
	<b>498.8</b>	<b>475.9</b>	<b>-22.9</b>	<b>-4.6</b>

#### Capital Allocations

5. The proposed capital allocation for West Midlands is £5.9m which is as expected from previous funding announcements.

#### **RESPONDING TO CONSULTATION**

6. The consultation period on the Provisional Funding Settlement ends on 23<sup>rd</sup> January 2014, after which Final Allocations and the Council Tax Referendum principles for 2014/15 will be confirmed. The Commissioner intends to make representations along the following lines, that:

- The existing grant damping arrangements are unfair and iniquitous, particularly to those policing areas which currently rely on significant proportions of police grant, and the effects are exacerbated by the transfer of Community Safety Funds into Main police Grant.
- The review of the existing funding formula, which was announced last summer, should commence without further delay, with a commitment from Government that the outcome should be fully implemented without any damping or similar arrangements.
- The Innovation Fund, which seems designed to provide incentives for police collaboration and which have not progressed since the introduction of PCCs, will be of more value to smaller and less efficient forces, rather than large forces like the West Midlands.
- Rather than provide additional funding for the IPCC, the IPCC should be abolished and replaced by a new organisation that has the credibility to investigate serious complaints against the police.
- The direct entry scheme for superintendents and inspectors is an unnecessary and expensive scheme which will be used only by a small number of forces.
- Increasing the funding for HMIC runs counter to the Government's promise to make inspection leaner and reduce bureaucracy.

## **IMPLICATIONS FOR WEST MIDLANDS**

7. Although the provisional settlement is broadly in line with financial planning assumptions, the actual level of Government support in 2014/15 is about £4M less than anticipated, largely because the impact of the “top slicing” for the Innovation Fund and the IPCC is greater than forecast, and the new funding streams for the College of Policing, HMIC and the City of London Police were not anticipated. It now also appears that previous assumptions about further grant reductions in 2015/16 and 2016/17 need to be revised because of the likelihood of further “top slicing” for the IPCC and the potential impact on Main Police Grant of the Autumn Statement.
8. Despite funding levels in 2014/15 and (potentially) later years being lower than previously forecast, there is no reason to change the principles of the budget proposals about which the Commissioner consulted during November and December, and about which the vast majority of respondents were supportive. It would, however, be appropriate to reduce the proposed allocation for Invest to Save schemes from £10m to £5m in 2014/15. Further allocations could then be considered when the actual spending position in 2014/15 becomes apparent, and opportunities for further savings in 2014/15 and later years, including those resulting from work with the IIP, emerge.
9. The key budget proposals will therefore be:
  - a) The recruitment of 250 additional police officers in 2014/15 (although the phasing of recruitment will be later in the year than previously assumed) and a further 200 additional police officers in 2015/16.
  - b) The recruitment of 100 additional police staff posts to release officers for front line duties.
  - c) £10m for the IIP Project and £5m for Invest to Save Schemes.
  - d) Allocations Community Safety Funding protected at the same cash levels as 2013/14, despite reductions in Government support.
  - e) Precept increases in line with inflation, together with the prudent use of reserves.

10. The implications of the 2014/15 provisional settlement, and latest resource forecasts for later years, together with budgeted and forecast spending levels and savings targets for the period up to 2016/17 is set out in the following table:

	<i>2014/15</i>	<i>2015/16</i>	<i>2016/17</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Base Budget	533	518	508
Police Officer Recruitment	3	9	13
Police Staff Recruitment	3	3	3
IIP	10		
Invest to Save Reserve	5		
<b>Gross Spending</b>	<b>554</b>	<b>530</b>	<b>524</b>
Government Grants	-476	-453	-440
Precept	-67	-69	-71
<b>Use of Reserves</b>	<b>11</b>	<b>8</b>	<b>13</b>

11. Over the period it is forecast that some £32m (out of the £73m-£75M now expected to be available in the Budget Reserve at 31 March 2014) will be required to support the MTFP. It will be necessary to monitor and revise the MTFP as further information about Government funding levels, spending pressures and opportunities for savings become available. Given the use of the Budget Reserve over the medium term it is, of course, likely that there will continue to be a gap between underlying spending levels and Government funding and precept income in the years after 2016/17. There should, however, be sufficient flexibility from continuing police officer and staff turnover levels, other savings including those from the IIP, and the balance of the Budget Reserve, to manage the MTFP into the longer term.

### **2013/14 REVENUE MONITORING**

12. The revenue monitoring position as at the end of November is in line with previous reports and shows an estimated underspend of £1.4m. Any further underspend to the end of the year would be contributed to reserves to become available to support the MTFP.

### **FINANCIAL IMPLICATIONS**

13. This report deals solely with financial implications.

### **LEGAL IMPLICATIONS**

14. There are no direct legal implications from this report.

### **RECOMMENDATIONS**

15. The Board is recommended to;

16. Note the 2014/15 Provisional Police Funding Settlement.
17. Endorse the proposed 2014/15 Budget Strategy.
18. Support the Commissioner's response to the Consultation on the Provisional Settlement.

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