



STRATEGIC POLICING AND CRIME BOARD  
6 January 2015

**PRELIMINARY REVENUE BUDGET AND  
CAPITAL PROGRAMME PROPOSALS 2015/16**

Report of the PCC Chief Finance Officer and Director of Resources

**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 2015/16.

**BUDGET CONSULTATION**

2. In view of the considerable uncertainty about Government Grant levels in 2015/16, the Commissioner did not commence consultation on budget proposals for 2015/16 until the Provisional Grant announcements were made on 17 December. The consultation period runs until 2nd February 2015.

**2015/16 PROVISIONAL GRANT SETTLEMENT**

3. The provisional grant settlement for the West Midlands was announced on 17 December 2014 and was a one year only settlement. This provisional settlement is as follows:-

	<i>2014/15</i>	<i>2015/16</i>	<i>Difference</i>	
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>%</i>
Police Grant	268.7	252.3	-16.4	-6.1
DCLG Formula Funding	188.2	181.3	-6.9	-3.7
<b>Sub Total</b>	<b>456.9</b>	<b>433.6</b>	<b>-23.3</b>	<b>-5.1</b>
Council Tax Support	19.0	19.0	0.0	0.0
<b>Total</b>	<b>475.9</b>	<b>452.6</b>	<b>-23.3</b>	<b>-4.9</b>

4. The main points to note are as follows:

- The total level of Government Revenue Funding for Police in 2015/16 is 5.1% less than 2014/15, and all Police areas in England have been subject to the same percentage reductions.
- As the table in paragraph 3 shows, the total funding allocated to West Midlands is £452.6m, a reduction of £23.3m or 4.9% compared to 2014/15.
- The Home Office has continued to apply a number of top slices to force funding and the total amount top sliced has increased significantly, as summarised in the table below. If top slicing had not increased, the reduction in grant funding would have been around 1% (or £5m) less.

2014/15		2015/16		Change
£m		£m		£m
564	Counter Terrorism	564		0
50	Police Innovation Fund	70		20
0	Major Programmes (new)*	40		40
0	Police Special Grant (new)**	15		15
18	IPCC	30		12
9	HMIC	9		0
3	College of Policing (Direct Entry)	5		2
0	Police Knowledge Fund (new no details)	5		5
<b>644</b>	<b>Total</b>	<b>738</b>		<b>94</b>

\* To fund future communications and data capability programmes

\*\* "To support police forces facing unplanned or unexpected additional pressures which might otherwise place them at financial risk"

- For 2015/16 existing formula damping arrangements remain unchanged
- Local Government Minister Kris Hopkins announced that "any council proposing an increase of 2% or more will need to allow local people the opportunity to approve or veto the increase in a referendum. This threshold will apply to all local authorities, including the Greater London Authority, fire authorities and police and crime commissioners".

## RESPONDING TO THE PROVISIONAL SETTLEMENT

5. The consultation period on the Provisional Funding Settlement ends on 23rd January 2015, after which Final Allocations will be confirmed. The Commissioner intends to make representations along the following lines, that:

- 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 Innovation Fund, which now appears to be almost entirely targeted at collaboration between forces should be significantly reduced not increased and redistributed to mitigate the effects of grant damping

- 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.
- All police areas are potentially facing unplanned or unexpected additional pressures and are subject to financial risk and this should be properly and proportionately reflected in grant distribution and not the ad hoc creation of a separate fund.
- The review of the existing funding formula, which was announced in the summer 2013, should commence without further delay, with a commitment from Government that the outcome should be fully implemented without any damping or similar arrangements

## **BUDGET PROPOSALS**

6. In framing these outline budget and precept proposals the Commissioner has had regard to:-

- the emerging priorities for the Police and Crime Plan ;
- the implications of the provisional funding settlement and the likely further reductions in Government funding in future years;
- existing budget commitments and inflationary pressures
- support for the Innovation and Integration Partnership (IIP) which was formed in August 2014, and the requirement for the IIP to deliver significant savings in the medium term
- savings from police officer and staff retirements and turnover, the rationalisation of the Birmingham Estate and other non-pay savings
- the level of the budget reserve available (which is estimated to be about £60M at the end of March 2015) to support the medium term financial strategy;

7. The key budget proposals will therefore be:

- a) The continued recruitment of 450 additional police officers, but which will not be completed until early 2016/17
- b) The recruitment of 80 additional police staff posts (funded from police officer vacancies) for the new cell blocks and revised front office arrangements, which would otherwise be covered by withdrawing police officers from front line duties..
- c) Allocations of Community Safety Funding protected at the same cash levels as 2014/15 despite reductions in Government support.
- d) Precept increases in line with the Council Tax referendum limit principles together with the prudent use of reserves.

8. The implications of the 2015/16 provisional settlement, and latest resource forecasts for later years, together with budgeted and forecast spending levels and savings targets for the period up to 2017/18 is set out in the following table:

	<i>2015/16</i>	<i>2016/17</i>	<i>2017/18</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Base Budget	567	582	589
Savings Plan:			
Officer/ Staff net turnover	(16)	(33)	(49)
Non-pay	(5)	(5)	(5)
B'ham Estates	(1)	(3)	(3)
Workforce mix	(2)	(2)	(2)
IIP Savings	(5)	(20)	(29)
<b>Gross Spending</b>	<b>554</b>	<b>530</b>	<b>524</b>
Government Grants	(453)	(439)	(425)
Precept	(69)	(70)	(71)
<b><i>Use of Reserves</i></b>	<b>16</b>	<b>10</b>	<b>5</b>

9. Over the period it is forecast that some £31m (out of the £60M now expected to be available in the Budget Reserve at 31 March 2015) 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 2017/18. 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.

## **COUNCIL TAX ISSUES**

10. To maintain the prudent approach and to maintain a stable resource base, as identified when setting the 2014/15 budget, the Commissioner is minded to increase the precept by 1.99% in 2015/16.

11. The following table sets out what that would mean for local Council Tax Bands:-

<b>Band</b>	<b>Statutory Proportion</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Change Annual</b>	<b>Change Weekly</b>
		<b>Precept</b>	<b>Proposed Precept</b>		
		<b>£ : p</b>	<b>£ : p</b>	<b>£ : p</b>	<b>£ : p</b>
<b>A</b>	6/9	69.65	71.04	1.39	0.03
<b>B</b>	7/9	81.25	82.87	1.62	0.03
<b>C</b>	8/9	92.86	94.71	1.85	0.04
<b>D</b>	<b>9/9</b>	<b>104.47</b>	<b>106.55</b>	<b>2.08</b>	<b>0.04</b>
<b>E</b>	11/9	127.69	130.23	2.54	0.05
<b>F</b>	13/9	150.90	153.90	3.00	0.06
<b>G</b>	15/9	174.12	177.58	3.46	0.07
<b>H</b>	18/9	208.94	213.10	4.16	0.08

12. For most Council Taxpayers in the West Midlands the increase would be only 4p per week or less and the Police precept in the West Midlands would still be amongst the lowest in the country.

### CAPITAL PROGRAMME

13. The main items in the capital programme include the provision of new purpose built custody facilities and significant rationalisation of the Central Birmingham Estate (details of which have previously been reported to the Panel), both of which will produce revenue savings; funding for the vehicle and plant replacement programme; and investment in ICT. It is currently anticipated that the capital programme can be financed by a combination of revenue reserves, capital grants and capital receipts, avoiding the need to incur borrowing costs. The program also includes an allocation for IIP schemes, the details of which will emerge through its approved programme of work.

### PROPOSALS

14. The Board is asked to consider the following:-

(a)The Commissioner's Revenue Budget proposals which provide for:

- the continued recruitment of 450 new police officers to 2016/17
- the recruitment of 80 new police staff posts (funded from vacant police officer posts) for the new cell blocks and revised front desk arrangements
- the allocation of Community Safety Funding in 2015/16 at the same cash levels in 2014/15, despite the further reductions in Government Grant
- The prudent use of the budget reserve across the medium term

(b)That the Commissioner is minded to set a precept increase of 1.99% in line with the Council Tax referendum limit (of 2% and above) for 2015/16

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