



Strategic Police and Crime Board
5 January 2016

**PRELIMINARY REVENUE BUDGET AND
CAPITAL PROGRAMME PROPOSALS 2016/17**

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 2016/17.

BUDGET CONSULTATION

2. In view of the considerable uncertainty about Government Grant levels in 2016/17, the Commissioner did not commence consultation on budget proposals for 2016/17 until the Provisional Grant announcements were reviewed on 22 December. The consultation period runs until 29 January 2016.
3. The Commissioner also undertook an independent survey in 2015 of over 7,500 residents asking their views on the police service and how it can improve. The survey included a question around future potential precept increases, with 57% of respondents supporting a precept increase.

2016/17 PROVISIONAL GRANT SETTLEMENT

4. The provisional grant settlement for the West Midlands was announced on 17 December 2015 and was a one year only settlement. The provisional settlement is as follows:-

	2015/16	2016/17	Difference	
	£m	£m	£m	%
Police Grant	252.3	250.8	-1.5	-0.6
DCLG Formula Funding	181.3	180.3	-1.0	-0.6
Sub Total	433.6	431.1	-2.5	-0.6
Council Tax Support	19.0	19.0	0.0	0.0
Total	452.6	450.1	-2.5	-0.6

5. The main points to note are as follows:

- The total level of Government Revenue Funding for Police in 2016/17 is 0.6% less than 2015/16 in cash terms, and all Police areas in England have been subject to the same percentage reductions.
- As the table in paragraph 4 shows, the total funding allocated to West Midlands is £450.1m, a reduction of £2.5m or 0.6% compared to 2015/16.
- 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. This reduces the total amount that is available for allocation to individual forces.

2015/16 £m		2016/17 £m	Change £m
564	Counter Terrorism	640	76
70	Police Innovation Fund	55	-15
40	Major Programmes (i)	22	-18
15	Police Special Grant (ii)	25	10
30	IPCC	32	2
9	HMIC	9	0
5	College of Policing (Direct Entry)	5	0
5	Police Knowledge Fund	0	-5
738	Total	788	50
	Additional Home Office Allocations:		
0	Emergency Services Network	80	80
0	Transformation Fund (iii)	76	76
738	Total	944	206

- i. *to fund future communications and data capability programmes*
 - ii. *originally introduced in 2015/16 “To support police forces facing unplanned or unexpected additional pressures which might otherwise place them at financial risk”*
 - iii. *to invest in cross force capabilities, new technology, armed policing capability and digital justice/investigations*
- For 2016/17 existing formula damping arrangements remain unchanged.
 - The settlement makes provision for the 10 PCC’s in England with the lowest precept levels, to raise their precept by up to £5 per year per Band D property. All other Forces will have a maximum referendum precept increase limit of 2%. West Midlands has the second lowest precept in the country, so the £5 increase option is open to the PCC.
 - The Minister of State for Policing, Crime and Criminal Justice, Mike Penning, announced that “for 2016/17, direct resource funding for each PCC, including precept, will be protected at flat cash levels, assuming that precept income is increased to the maximum amount available”. The grant allocation for WMP for 2016/17 only becomes a cash flat allocation if the PCC chooses to exercise the option of a £5 increase.
 - PCC’s and Chief Constables are expected to “do everything in their power to continue to drive efficiencies, safeguard the quality of policing and continue to

reduce crime". The statement makes specific reference to efficiencies from better use of IT, greater collaboration and improving productivity.

- The settlement has increased counter terrorism police revenue funding to a total of £640m. Allocations to individual Police and Crime Commissioners will not be known until into the New Year.

RESPONDING TO THE PROVISIONAL SETTLEMENT

6. The consultation period on the Provisional Funding Settlement ends on 25th January 2016, after which final allocations will be confirmed. The Commissioner has the following observations on the provisional settlement:

- The police funding formula review should be undertaken in 2016/17 to allow funding allocations from April 2017 to reflect the revised arrangements. Although the review of Force allocations is well overdue it places significant uncertainty on the levels of funding for the West Midlands.
- The ability to raise the precept by £5 shifts the burden of police funding from Central Government to local taxpayers. Also even with the £5 increase the West Midlands precept will still be significantly less than neighbouring police forces (for example, Staffordshire's precept in 2015/16 is £177.61 which is £71.06 above the West Midlands).
- To maintain funding at consistent levels the £5 increase is required and is not discretionary for areas such as the West Midlands that are very reliant on funding from Central Government.
- 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 and redistributed to mitigate the effects of grant damping.

BUDGET PROPOSALS

7. 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;
- 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, the rationalisation of the Birmingham Estate and other non-pay savings;

- the level of the budget reserve and budget resilience reserve available (which is estimated to be about £52m at the end of March 2016) to support the medium term financial strategy;
- the uncertainty of funding beyond 2016/17 in light of the imminent review of the police funding formula.

8. The key budget proposals will therefore be:

- a) The continued recruitment of 450 additional police officers, which is due for completion during 2016/17.
- b) The lifting of the need to use compulsory redundancy to achieve the reduction in PCSO numbers in the short term subject to any future revisions of the WMP2020 programme in light of the current settlement.
- c) A commitment of a two year allocation of Community Safety Funding with a reduction of 25% from April 2016 as previously discussed with partners. This is to reflect funding reductions that have already taken place across police funding since the start of the austerity programme.
- d) A precept increase of £5 in line with the Council Tax referendum limit principles that applies to West Midlands Police together with the prudent use of reserves.

9. The implications of the 2016/17 provisional settlement are set out in the following table:

	2016/17
	£m
Base Budget	554.3
WMP2020 Programme:	
Officer Pay savings	(19.0)
Staff/PCSO Pay savings	(5.6)
Non-pay savings	(8.6)
Total Benefits	(33.2)
Pay Costs	0.3
Recurring Non Pay Costs	4.4
One Off Project Costs	9.4
Total Costs	14.1
WMP2020 Net Benefits	(19.1)
Total Spend	535.2
Government Grants	(450.1)
Precept	(73.9)
Use of Reserves	11.2

10. It is forecast that £11.2m (out of the £52m expected to be available in the Budget Reserve and Budget Resilience Reserve at 31 March 2016) will be required to support the budget for 2016/17. It will be necessary to monitor and revise the Medium Term Financial Plan (MTFP), including the reserves strategy, as further information about Government funding levels, National policing funding formula levels, spending pressures and opportunities for savings become available.

11. The revision of the national policing funding formula (currently being proposed for implementation from 2017/18) creates uncertainty for the Forces financial planning strategy in the medium term. The current MTFP is based on current funding allocations, but given the material impact that a revised formula could have, a prudent approach, especially around the commitment of reserves, will be required until greater clarity is provided.

COUNCIL TAX ISSUES

12. The majority of Forces have a Council Tax referendum threshold of 2%. The settlement provides extra flexibility to those Forces who have historically kept the police element of their Council Tax bill low and for those 10 Forces (which includes West Midlands Police) the precept income can rise by up to an average (Band D) of £5 per year.
13. The following table sets out what that the 2 precept increase options (1.99% and £5) would mean for local Council Tax Bands:-

Band	Statutory Proportion	2016/17 Precept Options				
		2015/16 Precept £ : p	1.99% Increase £ : p	Change Annual £ : p	£5 Increase £ : p	Change Annual £ : p
A	6/9	71.03	72.44	1.41	74.36	3.33
B	7/9	82.87	84.52	1.65	86.76	3.89
C	8/9	94.71	96.59	1.88	99.15	4.44
D	9/9	106.55	108.67	2.12	111.55	5.00
E	11/9	130.23	132.82	2.59	136.34	6.11
F	13/9	153.91	156.97	3.06	161.13	7.22
G	15/9	177.58	181.11	3.53	185.91	8.33
H	18/9	213.10	217.34	4.24	223.10	10.00

14. The Commissioner is consulting on a precept increase of an average £5 per year (equivalent to 4.69%). For Band D Council Taxpayers in the West Midlands this increase would be less than 10p per week and the Police precept in the West Midlands would still be amongst the lowest in the country. The difference between a 1.99% increase and a £5 average increase is £2.88 per year which is less than 6p per week at Band D.
15. Early indications from Local Authorities are that the Tax Base would increase by 0.5% for 2016/17. Based on this assumption, an increase of £5 would generate £3.3m additional precept from 2015/16, which is £1.9m higher than an increase of 1.99%.
16. If WMP increase the precept by £5 each year over the CSR period the grant to precept ratio would change from 86.6%:13.4% (2015/16) to 83.8%:16.2% (2019/20).
17. The graph in **Appendix One** shows the Council tax precept Band D levied across all English forces for 2015/16. This demonstrates that the precept for West Midlands is significantly less than its nearest neighbours, both in terms of size and location. With a £5 increase in 2016/17 the precept for West Midlands would remain the second lowest in the country.

CAPITAL PROGRAMME

18. The main items in the capital programme include the completion of the significant rationalisation of the Central Birmingham Estate, which will produce revenue savings; funding for the vehicle and plant replacement programme; and investment in ICT. It is currently anticipated that the majority of the capital programme can be financed by a combination of revenue reserves, capital grants and capital receipts, reducing the need to incur additional borrowing costs in the short term. The programme also includes an

allocation for WMP2020 schemes, the details of which are included in the table below and will be predominantly funded by the specific capital reserve created to support these projects.

19. The police funding settlement indicates a reduction of capital grant to Forces but this will not be finalised until the final Police Grant report is made available in February 2016. A reduced level of the annual capital grant will impact on the funding of the 5 year capital programme. This will need to be closely monitored and will impact on the Force strategy for both use of reserves and potential borrowing. The capital programme to 2019/20 is shown in the table below:

	2015/16 Current Budget £m	2016/17 Proposed Budget £m	2017/18 Proposed Budget £m	2018/19 Proposed Budget £m	2019/20 Proposed Budget £m	Total Prog £m
WMP2020:						
NWOW (inc Lloyd House)	17.8	15.2	0.0	0.0	0.0	33.0
Criminal Justice	13.4	0.0	0.0	0.0	0.0	13.4
Next Generation Enabling Services	0.0	4.2	0.0	0.0	0.0	4.2
Operational Policing Solution	0.0	8.1	2.9	0.0	0.0	11.0
Predictive Analytics	0.2	0.0	5.8	0.0	0.0	6.0
Estates Rationalisation	2.5	3.0	2.0	0.0	0.0	7.5
Other WMP2020	3.6	11.6	3.4	0.4	0.2	19.2
Total WMP2020	37.5	42.1	14.1	0.4	0.2	94.3
Business As Usual:						
Fleet	3.0	4.2	3.0	3.0	3.0	16.2
ICT	1.7	0.5	0.6	0.5	0.6	3.9
Equipment	0.2	0.2	0.2	0.2	0.2	1.0
CTU	2.3	0.0	0.0	0.0	0.0	2.3
Total BAU	7.2	4.9	3.8	3.7	3.8	23.4
Total Spend	44.7	47.0	17.9	4.1	4.0	117.7
Funded By:						
Capital Grant (estimated)						-26.3
Capital Receipts						-42.4
Reserves/Borrowing						-45.9
Police Innovation Funding						-0.8
CTU Funding						-2.3
Total Funding						-117.7
Net Surplus/Deficit						0.0

CONCLUSION

20. The Commissioner's budget therefore includes provision for the following:-

- the completion of the commitment to recruit of 450 new police officers of which 283 will be in post or have received job offers by 31 March 2016.
- the costs and benefits arising from the continued support for the WMP2020 transformation programme.
- the lifting of the need to use compulsory redundancy to achieve the reduction in PCSO numbers.
- the commitment of a two year allocation of Community Safety Funding with a reduction of 25% from April 2016 as previously discussed with partners.
- the prudent use of the budget reserve across the medium term.

RECOMMENDATION

21. The Board is asked to note the contents of this report and to consider the precept options for 2016/17.

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Appendix One

