



**STRATEGIC POLICING AND CRIME BOARD  
6th December 2016**

<p><b>Autumn Statement 2016 and 2017/18 Budget Setting Process</b></p>
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**PURPOSE OF REPORT**

1. This report provides an update following the Autumn Statement and provides the process to be followed to set the precept for 2017/18.

**BACKGROUND**

2. On 23 November 2016 the Chancellor of the Exchequer presented his Autumn Statement to Parliament which gave views on future economic growth and the potential impacts of Brexit. The statement also provided indications around the future levels of national debt and public expenditure. .

**MEDIUM TERM FINANCIAL PLAN**

3. At the meeting of this Board held on 6 September 2016 the refreshed medium term financial plan for 2017/18 to 2019/20 was presented.
4. The key assumptions that underpinned the refreshed plan were as follows:-

	2016/17	2017/18	2018/19	2019/20
<b>Spend Assumptions</b>				
Pay Awards	1.0%	1.0%	1.0%	1.0%
Utilities	5.0%	5.0%	5.0%	5.0%
Fuel	2.0%	2.0%	2.0%	2.0%
Supplies & Services	1.5%	1.5%	1.5%	1.5%
<b>Funding Assumptions</b>				
Police Grant	-0.57%	-0.57%	-0.57%	-0.57%
Band D Precept Increase	£5	£5	£5	£5
Precept Tax Base Charge increase	0.5%	0.5%	0.5%	0.5%

5. These assumptions were used to produce the medium term financial plan detailed below.

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Police Officer Pay (inc. 800 additional recruitment)	353.2	346.6	345.3	343.3
PCSO Pay	12.8	12.9	13.0	13.0
Police Staff Pay (inc. 200 workforce mix)	100.9	105.2	105.2	104.4
Non Pay	47.5	52.5	51.1	52.2
WMP2020 Project Costs	22.0	20.0	16.3	5.2
<b>Force Spend</b>	<b>536.4</b>	<b>537.2</b>	<b>530.9</b>	<b>518.1</b>
Office of the PCC Core Costs	1.9	1.9	1.9	1.9
Community Safety Funding	3.9	3.9	3.9	3.9
Direct Commissioning	1.8	1.3	1.3	1.3
Active Citizens	0.8	0.8	0.8	0.8
<b>Office of the PCC</b>	<b>8.4</b>	<b>7.9</b>	<b>7.9</b>	<b>7.9</b>
<b>Total Spend</b>	<b>544.8</b>	<b>545.1</b>	<b>538.8</b>	<b>526.0</b>
Government Grants	-450.1	-447.7	-445.2	-442.8
Precept	-77.1	-79.2	-83	-86.8
<b>Total Funding</b>	<b>-527.2</b>	<b>-526.9</b>	<b>-528.2</b>	<b>-529.6</b>
<b>Gap before Reserves</b>	<b>17.6</b>	<b>18.2</b>	<b>10.6</b>	<b>-3.6</b>
Use of Reserves	-17.6	-18.2	-10.6	0.0
<b>Gap Remaining</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.6</b>

6. It is important to note that the precept levels detailed in the table are only achieved if the Commissioner chooses to use the flexibility granted by the Home Office to increase the Band D precept by £5 each year within the planning period. The rules on Precept increases and referendums are not expected to change and will not be confirmed until the financial settlement is announced around mid-December 2016.

#### **AUTUMN STATEMENT AND KEY CHANGES TO PLANNING ASSUMPTIONS**

7. The Autumn Statement detailed that there were no changes to existing plans around the Public Spending of Government Departments which means that there should be no significant changes to the medium term plan. However, targets around efficiency savings of £3.5bn nationally remain and details on how this impacts the Home Office and Police are not expected until autumn 2017.
8. There were also announcements made around the alignment of employer / employee National Insurance rates and increases to the rate of insurance premium tax. These increases will be worked through and added to the Medium Term Financial Plan when the financial settlement for 2017/18 is received, but early indications are the impact of these changes will not be significant.
9. The one area that may have a significant impact upon the medium term financial plan are issues relating to Police Staff Pensions. Negotiations are currently being held with the Local Government Pension Scheme as there are proposals to increase the employers' contribution rate from 11.4% to 16.9% from April 2017.

This follows the triennial revaluation of the scheme and the desire that the fund should be in balance by 2035.

10. The proposed increase in the contribution rates is partially offset by a reduction in the lump sum pension payment made each year of £6.1m which is planned to be reduced to £4.6m from April 2017. The lump sum is an amount paid each year towards the deficit in the pension scheme. The net impact of the changes is likely to add approximately £2.5m per year to the cost of Police Staff Pensions to the Force. This includes the rate increase and the reduction in the lump sum.
11. Whilst we will continue negotiations with the scheme, the West Midlands PCC / Police increased contribution is below the increased contribution rates for many other bodies who are facing increased contribution rates of nearer 18-20%.
12. Once the final funding settlement has been received the medium term financial plan will be refreshed to show the impact of actual funding and any other information including the position in relation to employers' pension contribution rate.

### **BUDGET SETTING PROCESS 2017/18**

13. Section 40 of the Local Government Finance Act 1992 requires the Police Crime Commissioner to set a budget and precept for policing in the West Midlands by the 1st March each year. To meet this deadline the Police Reform and Responsibility Act 2011 specifies the following key dates:-
  - The PCC must issue the proposed precept relating to the budget to the West Midlands Police and Crime Panel by the 31 January each year.
  - The panel then has to respond to the Commissioner with its report on the proposed precept by 7 February. This can include support for the proposed precept without additional qualification, support with additional recommendations and if it resolves to by the appropriate majority, to veto the precept.
  - The Commissioner then has to respond to the Panel's report on the precept by the 15 February.
  - The Panel must then finally respond to the Commissioner by 22 February.
14. To meet the above timelines a preliminary revenue budget and capital programme for 2016/17 will be considered by the board on the 3 January 2017.

### **FINANCIAL IMPLICATIONS**

15. This report solely deals with financial issues.

### **LEGAL IMPLICATIONS**

16. Section 40 of the Local Government Finance Act 1992, requires the Commissioner to set budget and precept by 1 March each year. The Police Reform and Responsibility Act 2011 specifies the key deadlines and process to be followed when setting the annual precept.

## **RECOMMENDATIONS**

17. The Board is asked to note the contents of this report.

Mark Kenyon  
CFO to the PCC

Neil Chamberlain  
Interim Director of Commercial Services