



## **WEST YORKSHIRE POLICE AND CRIME PANEL**

### **PRECEPT PROPOSAL 2013/14**

#### **SUMMARY**

**This paper sets out for the Panel:**

- **The legal requirements for notification of the precept proposal;**
- **An analysis of the provisional police grant settlement for 2013/14;**
- **The draft budget for 2013/14;**
- **Precept options considered by the Commissioner;**
- **The medium term financial forecast;**
- **The Commissioner's decision.**

#### **1. LEGAL REQUIREMENTS FOR NOTIFICATION OF THE PRECEPT PROPOSAL**

- 1.1 The Commissioner is required under Schedule 5 to the Police Reform and Social Responsibility Act 2011 and associated regulations to notify the Police and Crime Panel of his proposed precept for 2013/14 by 1 February 2013.
- 1.2 The Panel must review the proposed precept by 8 February and make a report to the Commissioner. The Panel has a right to veto the proposed precept if at least two thirds of the persons who are members of the Panel at the time when the decision is made vote in favour of making that decision.
- 1.3 The Commissioner must have regard to and give the Panel a response to their report. Where no veto is exercised the Commissioner may issue the precept. If the Commissioner's proposal is vetoed by the Panel, a revised proposal must be notified to the Panel by 15 February.
- 1.4 The Panel must review the revised proposal and make a report to the Commissioner by 22 February. The Commissioner must respond to the report and issue his precept by 1 March.
- 1.5 Rejection by the Panel of the revised precept does not prevent the Commissioner issuing it as his precept for the forthcoming financial year.

- 1.6 The Commissioner has a statutory duty to set a balanced budget and calculate the Council Tax Requirement for the forthcoming financial year. The budget report including the statutory calculations will be considered by the Commissioner once the Panel has reached the end of its scrutiny process.

## 2. ANALYSIS OF THE PROVISIONAL POLICE GRANT SETTLEMENT 2013/14

### Key Points

- 1.6% reduction in core funding, as set out in the Spending Review 2010.
- Protection by the Home Office from the 1% additional reduction announced in the Autumn Statement, and the pay restraint reduction announced in 2011.
- Damping to be unchanged in 2013/14 and 2014/15.
- No figures published for 2014/15 pending review of Home Office budgets.
- Fundamental review of the Funding Formula in time for the next Spending Review.

### Funding Formula

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
<b>Relative Need</b>	76,557	76,731
<b>Relative Resource</b>	-1,535	-2,554
<b>Central Allocation</b>	75,870	72,986
<b>Damping</b>	-9,698	-5,417
<b>Police Grant</b>	179,315	187,770
<b>Total Formula Funding</b>	<b>320,509</b>	<b>329,516</b>

- 2013/14 includes the Neighbourhood Policing Fund (£14.3m), which was paid as a specific grant in 2012/13.
- The like for like comparison is therefore with £334.841m in 2012/13, a reduction of 1.6% or £5.3m to £329.516m.
- Population projections used in the formula have been updated to incorporate 2011 Census data.
- As much of the formula is driven by population, changes can result in significant variations. The resident population for West Yorkshire has reduced by 1.1% in comparison with the national average increase of 2.1%.

- This reduces the raw formula allocation and as a result the amount lost through damping has reduced from £9.7m to £5.4m.

### Core Funding

	2012/13 £000	2013/14 £000
<b>DCLG</b>	141,194	141,746
<b>Home Office</b>	179,315	187,770
<b>NPF</b>	14,332	Included in HO
<b>Total Formula Funding</b>	<b>334,841</b>	<b>329,516</b>

### Other Grants

- Counter Terrorism - quantum unchanged, allocations still to be notified.
- Community Safety Fund – drugs, crime and community safety funding streams amalgamated into a single Community Safety Fund for use by Commissioners. National reduction from £120m to £90m. West Yorkshire allocation of £5.292m.
- Capital Grant – unchanged from Written Ministerial Statement January 2012 –West Yorkshire allocation £4.169m.
- Council Tax Support – paid directly to local policing bodies to reflect Government contribution to Council Tax Support. National reduction of 10% as compared with 2012/13. Impact will depend on schemes adopted locally by the Billing Authorities. West Yorkshire allocation £14.422m.
- Council Tax Freeze – offer of grant equivalent to 1% on Band D using unreduced taxbase (i.e. comparable with the offer in previous years). Indicative allocation for West Yorkshire of £0.902m.
- The Council Tax Freeze Grant for 2011/12 continues to be paid for 2013/14 and 2014/15. This equates to £2.225m.

### Referendum Limit

- The excessiveness criteria set at 2% other than for those local policing bodies in the bottom quartile for Band D council tax, where the limit is £5 in cash terms. A 2% increase is estimated to raise some £1.533m on the reduced taxbase. A £5 (3.8%) increase would raise an estimated £2.936m.

### 2013/14 Position and Beyond

- The Home Office protection means that the outcome is marginally better than had been anticipated. The budget gap with a 2% precept

increase is estimated at £10.3m. £64m of savings have been taken from the budget to date.

- Specific risks for 2014/15 include the reinstatement of the pay restraint clawback and the additional 2% reduction announced in the Autumn Statement.
- Risks in the longer term include the reductions continuing on the same trajectory as the current Spending Review, as announced in the Autumn Statement. It is not yet clear what this means in practice.
- It is also unclear how the Council Tax Support Grant will change over time, and this now forms a significant contribution to the budget.

### **3. DRAFT BUDGET 2013/14**

3.1 The Draft Base Budget for 2013/14 reflects the following key issues and assumptions:

- A pay freeze in 2012 for police officers.
- A pay freeze in 2012 for all police staff earning above £21,000 pa but a pay award of £250 for all those full time employees earning below £21,000 pa.
- A 1% pay award for police officers and police staff in September 2013 and September 2014.
- The full year effect of 2012/13 budget spending pressures.
- Provision for 8 Public Holidays.
- Additional £4.060m for the cost of police officer and police staff increments.
- Winsor 1 savings of £3.707m removed from police officer pay budgets.
- General price increases of 2.0% and larger increases in some specific areas e.g. fuel (10%), energy (5%), rent and rates (3.5%), computer maintenance (3.5%).
- The revenue implications of capital schemes e.g. running costs, maintenance costs etc.
- Provision for the ongoing cost of existing external borrowing.
- Increased charges from the National Policing Improvement Agency (NPIA) and successor bodies.
- An increased contribution of £0.500m to the Insurance Provision based on claims experience.
- Increased ill health and injury pensions of £0.675m.
- Loss of £0.521m in external funding, subject to review.
- The Organisational Change Fund re-profiled and reduced by £1.850m to £1.150m in 2013/14. Later years have been increased.
- Further use of Reserves and Balances in 2013/14 and beyond.

#### 4. Precept Options considered by the Commissioner

4.1 As part of the budget planning process for 2013/14, three options have been considered:

- 1) Accepting the Government's offer of a precept freeze grant equivalent to a 1% increase in council tax.
- 2) Increasing the council tax by the general referendum limit of 2%.
- 3) Increasing the council tax by the specific referendum limit for West Yorkshire of £5 at Band D.

4.2 A detailed analysis of the budget is shown in Appendix A and is summarised below for Option 2.

<b>Option 2 – 2% Council Tax Increase</b>	<b>2013/14 £000</b>
Gross Expenditure	495,142
Income including specific grants	(68,490)
Contribution to/(from) Reserves and Balances	(6,900)
<b>Total Budget 2013/14</b>	<b>419,752</b>
Funded by	
Home Office Grant	187,770
Department for Communities and Local Government Grant	141,746
Council Tax Freeze Grant 2011/12	2,225
<b>Total Government Core Funding</b>	<b>331,741</b>
Estimated Collection Fund Surplus/(Deficit)	(509)
<b>Precept</b>	<b>78,174</b>
<b>Budget Shortfall prior to savings</b>	<b>10,346</b>

4.3 Using the final notification of the Billing Authorities' taxbases the precept raised with a 2% increase in council tax, taking it from £130.50 to £133.11, is £78.174m. The estimated deficit on Collection Funds is still subject to final confirmation.

4.4 Accepting the precept freeze grant would add some £0.631m to the budget shortfall, taking it to £10.977m.

4.5 Raising the council tax by the £5 at Band D allowed under the Government's excessiveness rules, from £130.50 to £135.50, would add £1.404m to the precept figure of £78.174m, taking it to £79.578m. This could either reduce the budget gap to £8.942m or allow for some recruitment of police officers in 2013/14, which would otherwise be unachievable. £1.404m would fund 44 police officers for a full year.

- 4.6 Details of the council tax for the three options are given at Appendix E, and the increases for options 2 and 3 are shown below.

<b>COUNCIL TAX BAND</b>	<b>Option 2 Increase £p per annum</b>	<b>Option 3 Increase £p per annum</b>
<b>A</b>	1.74	3.34
<b>B</b>	2.03	3.89
<b>C</b>	2.32	4.45
<b>D</b>	2.61	5.00
<b>E</b>	3.19	6.11
<b>F</b>	3.77	7.23
<b>G</b>	4.35	8.34
<b>H</b>	5.22	10.00

- 4.7 Around 64% of households in West Yorkshire fall in bands A and B, meaning the increase at option 3 is around 1p per day.
- 4.8 It is estimated that 150 police officers and 193 police staff will leave the force during 2013/14 through retirement and natural turnover. Recruitment of 61 specialist police staff and PCSOs is built into the estimates. This is sufficient to balance the budget for 2013/14, as shown below.

## **5. MEDIUM TERM FINANCIAL FORECAST**

- 5.1 The budget shortfalls prior to savings through estimated natural officer and staff leavers are as follows for the three scenarios detailed below. These assume reductions in government funding as set out at Appendix A, with variations to the precept level illustrated in the table through to 2016/17.

<b>Cumulative Budget Shortfalls</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Scenario 1 – precept freeze in 2013/14; Illustrates 2% increase thereafter	10,977	38,381	57,599	71,096
Scenario 2 – 2% in 2013/14; Illustrates 2% increase thereafter	10,346	37,720	56,004	69,469
Scenario 3 - £5 in 2013/14* Illustrates £5 increase thereafter	8,942*	34,943*	51,886*	64,041*

\*Would depend on utilisation of the additional precept resource.

5.2 Total accumulated savings based on estimated police officer leavers with no new recruitment, and police staff leavers net of recruitment to 50 specialist posts are as follows:

<b>Cumulative Total Savings</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Savings from natural leavers net of specialist police staff recruitment	18,554	29,438	41,580	54,434

5.3 While 2013/14 is balanced, there are significant shortfalls in future years for all three scenarios, based on current assumptions of future government funding. Additional reductions would therefore be required to balance the budget, through pay and non pay savings including further police staff redundancies.

## **6. Decision by the Commissioner**

6.1 Relevant considerations for the Commissioner in making his decision included:

- The impact on frontline policing;
- The impact on council taxpayers;
- Future financial health, including adequacy of reserves and balances;
- The robustness of financial and organisational management processes in place;
- Levels of demand and force resilience;
- Savings made to date and the capacity for future savings;
- Public views obtained from the Listening to You First survey;

6.2 The Commissioner is conscious of the very low council tax for policing in West Yorkshire, currently the third lowest in England and Wales, and the disproportionate impact that government funding reductions have had and will continue to have on the budget.

6.3 The only realistic prospect of recruiting police officers in 2013/14 given the medium term forecast set out above is to utilise the latitude allowed by the Government to increase the council tax.

6.4 The Commissioner has therefore decided to notify the Panel of his intention to increase the council tax at Band D by £5 per annum.

6.5 Based upon the notified taxbase of 587,280.19, the proposed precept for 2013/14 is £79,577,993. Any changes to the taxbase figures notified by the Billing Authorities would result in a change to the figure quoted here.

### **Appendices**

- A Medium Term Financial Forecast (Option 2 illustrated)  
(Attached)
- B Capital Forecast (Attached)
- C General Balances (Attached)
- D Survey Results
- E Council Tax Bands



APPENDIX D

Results - Budget and Police and Crime Plan Survey 2013

		All respondents
<b>Q10 Would you be prepared to pay more than 2% extra on your police council tax this year?</b>	Yes	57.4
	No	42.6

Base: 1,982

Significant differences
<ul style="list-style-type: none"> <li>Those with a disability were less likely to say yes</li> </ul>
<ul style="list-style-type: none"> <li>Those from a BME background were less likely to say yes</li> </ul>

		All respondents
<b>Q11 How much extra would you be prepared to pay for policing next year?</b>	Reduction	0.2
	No increase	26.0
	1%	8.5
	2%	17.9
	3%	13.9
	4%	7.9
	5%	18.3
	Over 5%	2.2
	Other	5.0

Base: 1,939

Significant differences
<ul style="list-style-type: none"> <li>Those who were contacts were less likely to say they would pay 5% more than those who were not</li> </ul>
<ul style="list-style-type: none"> <li>Males were less likely to say they would pay 3% extra but more likely to agree to pay 5% extra</li> </ul>
<ul style="list-style-type: none"> <li>Those from a BME background were more likely to say they wanted to pay no increase and less likely to say they would pay an extra 3%</li> </ul>
<ul style="list-style-type: none"> <li>Younger respondents indicated they were happier to pay 5% or more than those over the age of 55</li> </ul>

		<b>Q10 Would you be prepared to pay more than 2% extra on your police council tax this year?</b>	
		<b>Yes</b>	<b>No</b>
<b>Why do you say that?</b>	Policing is important	31.0	-
	To ensure communities are safe	25.2	-
	Small amount to pay	21.8	-
	To increase police officer/staff numbers	9.3	-
	Other - yes	7.1	-
	No reason provided or just caveats given	5.6	-
	Increases are not affordable	-	42.6
	Changes need to be made	-	22.7
	Other - no	-	9.4
	Increase not justified	-	7.8
	Not value for money	-	7.1
	Everyone has to make cuts	-	6.1
	No reason provided	-	4.2

<b>Significant differences - yes</b>
<ul style="list-style-type: none"> <li>Males were more likely to give another reason when saying why they would pay more than 2% while females were more likely to give either no reason or provide caveats attached to the extra increase</li> </ul>
<ul style="list-style-type: none"> <li>Bisexual respondents were more likely to say they would pay extra to increase police officer/staff numbers than heterosexual respondents</li> </ul>
<ul style="list-style-type: none"> <li>Those with a disability were happy to pay extra to ensure communities are safe but less likely to say it was a small amount to pay</li> </ul>
<ul style="list-style-type: none"> <li>Those aged 34 or under were more likely to say it was a small amount to pay than those aged 55 or over</li> </ul>

<b>Significant differences - no</b>
<ul style="list-style-type: none"> <li>Males were more likely to say they wouldn't pay more than 2% because changes need to be made while females were more likely to say that increases are not affordable</li> </ul>
<ul style="list-style-type: none"> <li>Those from a BME background were more likely to say that the police/increases did not provide value for money</li> </ul>

**Q10 Would you be prepared to pay more than 2% extra on your police council tax this year?**

**Yes**

<p><b>To increase police officer/staff numbers</b></p> <ul style="list-style-type: none"> <li>• Includes visibility</li> <li>• PCSOs and staff</li> <li>• Frontline policing</li> </ul>
<p><b>To ensure communities are safe</b></p> <ul style="list-style-type: none"> <li>• Maintain law and order</li> <li>• Quality of life</li> </ul>
<p><b>Small amount to pay</b></p> <ul style="list-style-type: none"> <li>• Affordable</li> <li>• Good value</li> <li>• Current rate of inflation</li> </ul>
<p><b>Policing is important</b></p> <ul style="list-style-type: none"> <li>• Needs funding</li> <li>• Maintain/improve service</li> <li>• To cover inflation</li> <li>• You get what you pay for</li> <li>• Tax hasn't increased for 2 years so needs to</li> <li>• Need to support the police</li> </ul>
<p><b>No reason provided/caveats</b></p> <ul style="list-style-type: none"> <li>• E.g. wants proof of where it's being spent, that it's being spent effectively, or providing value for money</li> <li>• 'Only if I could see it making a difference' but not indication of what that difference is</li> </ul>
<p><b>Other</b></p> <ul style="list-style-type: none"> <li>• If it's needed, it's needed</li> <li>• If police are ineffective then why pay at all?</li> <li>• All need to take ownership of our society</li> <li>• No choice/obliged to pay whatever we ask</li> <li>• If we get policing right now, then potentially could reduce the tax in future years</li> </ul>

Many comments that people should pay more than others if they earn more or they live in more demanding areas.

## No

### **Increases are not affordable**

- Times are tight
- Unemployed
- Reduce pay/pension
- No wage increases
- Other costs increasing

### **Changes need to be made**

- Balance of taxes
- Inefficiencies
- Services offered (e.g. helicopter)

### **Not value for money**

#### **Increase not justified**

- Funding received is sufficient
- Pay enough tax already
- Paying for a service never see/use

### **Everyone has to make cuts**

#### **No reason provided**

#### **Other**

- More funds from Government
- Chase non payers
- Use criminal assets
- Make criminals pay more
- Disagrees in principal with increases
- Stop Government giving money to other countries
- Make changes to local authorities

**APPENDIX E****Council Tax Bands**

<b>BAND</b>	<b>Precept Freeze £</b>	<b>2% increase £</b>	<b>£5 increase £</b>
<b>A</b>	87.0017	88.7418	90.3351
<b>B</b>	101.5020	103.5321	105.3909
<b>C</b>	116.0023	118.3224	120.4468
<b>D</b>	130.5026	133.1127	135.5026
<b>E</b>	159.5032	162.6933	165.6143
<b>F</b>	188.5037	192.2739	195.7260
<b>G</b>	217.5043	221.8545	225.8377
<b>H</b>	261.0052	266.2254	271.0052