



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

**14 DECEMBER 2012**

### **INITIAL BUDGET BRIEFING**

#### **INTRODUCTION**

1. This report sets out for the Panel
  - Background to the financial position and implications of the government's Spending Review for the Police and Crime Commissioner for West Yorkshire
  - Current planning assumptions, in advance of the Provisional Local Government Finance Settlement
  - The timetable for consultation with the Panel
  - The Commissioner's plans for engagement with communities and key stakeholders to support efforts in lobbying the Policing Minister to reduce the impact of spending cuts for the police service both locally and nationally.

#### **BACKGROUND**

2. The Spending Review published in October 2010 reflected overall reductions in government funding for police of 20% in real terms by 2014/15, with the majority front-end loaded into 2011/12 and 2012/13. The headline cash reductions were 4.1% in 2011/12, 5.4% in 2012/13, 1.1% in 2013/14 and 2.3% in 2014/15.
3. The Local Government Finance Settlement reduced external support to police authorities in 2011/12 by 5.1% on a like for like basis compared with 2010/11, and by a further 6.7% in 2012/13. This was a reduction for West Yorkshire of £18.6m in 2011/12 and £23m for 2012/13. Floor damping reduced the Authority's raw formula grant allocation by some £9.9m in each year. A separate briefing on the police funding formula is attached at Appendix A.
4. Detailed grant allocations were provided for 2011/12 and 2012/13, but only indicative figures are available for the remaining two years of the Spending Review period. There are also other significant unknowns such as the impact of Council Tax Benefit localisation on the taxbase, the implications of part 2 of the Winsor Report on police pay and conditions and the size of the Community Safety Fund which will come to Commissioners.

5. **Based on available information the best estimate of the budget gap over the period is some £100m, of which £64m will have been taken from the budget by 31 March 2013. The gap for 2013/14 is estimated at £18.2m.**

## **CURRENT PLANNING ASSUMPTIONS**

6. The budget for 2013/14 is based upon the following assumptions:
- The transfer of Neighbourhood Policing Fund Grant, currently £14.3m, from specific grant to main police grant.
  - Nothing material for any potential losses in external funding.
  - Removal of the Precept Freeze Grant (£2.7m) received in 2012/13.
  - Removal of the Olympic costs and balancing income (originally estimated at £4m in the 2012/13 base budget).
  - Nothing is included for the impact of Winsor 2.
  - Hutton – employer costs are assumed to remain at current levels and no adjustment to reflect lower employer rates has been made at this stage.
  - Local Government Pensions Scheme Revaluation – nothing reflected at this stage
  - General inflation has been assumed at 2%, with higher increases assumed on a range of specific budgets (rents, utilities, fuel, IT).
  - Additional costs associated with the PFI schemes have been included, including NNDR, energy etc.
  - The regional budget has not been updated for any proposed changes beyond 2012/13. This will be done as part of the main budget review.
  - A number of recurrent Spending Pressures approved by Command Team in the current year have been incorporated into 2013/14 including Ill Health and Injury Pensions (£675k), increased contribution to the Insurance provision (£400k), Increased NPIA Contributions (£273k).
  - The Force has attempted to maximise in year underspends to increase General Police Fund Balances. These and other reserves are then being used in a phased approach to assist the savings delivery plan and help return to some level of police recruiting. A further £5m is planned for use in 2012/13 (£1.2m) and 2013/14 (£3.8m).
7. As a result of the government's plans to localise council tax benefit and reduce the amount of grant provided by 10%, billing authorities have been required to formulate their own schemes for council tax support. This will see a reduction in taxbase and the payment of a specific grant in respect of benefit awarded direct to the Commissioner, rather than through the billing authorities' collection funds as is currently the case.

8. The taxbase has been estimated to reduce from 686,085 to 569,390 (Band D equivalents). Each £1 of police council tax now raises £569k in precept income as opposed to £686k. A 1% increase on the current police council tax of £130.50 therefore generates some £743k in precept income as compared with £895k.
9. This is a preliminary assessment and assumes that there is a net loss of around £850k as a result of the implementation of local schemes of council tax support. This is a mid point assumption of the total impact of the government's 10% reduction in funding across the county as a whole. The indicative figure for this grant published by the DCLG in May was £14.6m, but this will only be confirmed at the time of the settlement announcement.
10. Assuming a 2% increase in council tax for 2013/14 (the likely referendum limit), there will be a budget gap of £18.2m in 2013/14. Should the offer of the council tax freeze grant of 1% be accepted, this would increase the budget gap to £18.9m.
11. **The cumulative effect of three years of council tax freeze is equivalent to 6.6% or £4.9m per annum in lost precept income.** The very low council tax and high gearing ratio makes West Yorkshire particularly vulnerable to reductions in government funding and the continued viability of freezing the council tax is a matter which the Commissioner will be considering very carefully.
12. **The forecast budget gap will inevitably mean further reductions in force strength, which currently stands at 8,699 (5,072 police officers, 2,894 police staff and 733 PCSOs) as compared with 10,064 as at 31 March 2010, of which 5,758 were police officers, 3,544 were police staff and 762 were PCSOs.**

#### **TIMETABLE FOR CONSULTATION WITH THE PANEL**

13. The statutory timetable for consultation with the Panel is as follows
  - Commissioner notifies the Panel of precept proposals by 1 February
  - Panel reviews precept proposals by 8 February
  - If no veto, the precept may then be issued
  - In case of veto, the Commissioner presents revised proposal by 15 February
  - The Panel reviews the revised proposal and issues a report by 22 February
  - The Commissioner publishes a response and issues the precept

14. Other key dates include

- Commissioners meeting with the Home Secretary 3 December
- Chancellor's Autumn Statement 5 December
- Provisional Local Government Finance Settlement, expected week commencing 17 December
- Consultation on the settlement and representations to the Policing Minister concludes 15 January
- Announcement of Final Local Government Finance Settlement
- Notification of District Taxbase figure 1 December to 31 January
- Deadline for issue of precept 28 February.

### **COMMUNITY ENGAGEMENT**

15. The Commissioner is engaging widely with the community and key stakeholders in advance of making decisions on both the Budget and the Police and Crime Plan. This will include face to face and round table events in addition to an online Budget and Police and Crime Plan Survey, attached at Appendix B.
16. A meeting was held with the Policing Minister on 30 November at which the Commissioner pressed for changes to floor damping which currently disadvantages West Yorkshire to the tune of £10m per annum, for the government to reconsider the stringent cuts planned for the police service as a whole, and to protect current levels of Community Safety Funding.
17. The Commissioner also made this point directly to the Home Secretary at a meeting of all Commissioners held on 3 December, raising with her the continued viability of policing in West Yorkshire given the scale of the cuts envisaged. There will be further opportunities to raise this as part of the consultation on the Local Government Finance Settlement. The Commissioner intends to request a meeting with the Policing Minister as part of his representations on the settlement, and to present the results of his community and stakeholder engagement at that meeting.
18. The Chancellor's Autumn Statement included an announcement of further cuts of 1% in 2013/14 and 2% in 2014/15 to the Home Office Resource Budget. Confirmation has now been received from the Home Secretary that central government funding for the police in 2013/14 has been protected from any further reductions, in other words that the 1% reduction will be found from elsewhere in the Home Office.

## POLICE FUNDING FORMULA BRIEFING

### FLOOR DAMPING

The Police Funding Formula (PFF) is essentially a calculation that uses various data sources (such as population density) to share government funding between local policing bodies in England and Wales. It is a calculation of relative rather than of absolute needs i.e. it does not estimate how much each force area needs independently of other forces. Instead it shares out the amount of money designated for police funding between local policing bodies based on their relative needs compared to each other.

The PFF is important because it is used to divide the majority of the money available for total police funding between areas. Consequently, the results of the PFF have a significant impact on how much money a local policing body will receive in order to police its local area.

The PFF was introduced in the mid 90's and replaced the 'police establishment' method for allocating funding between force areas. The variations in funding to individual forces resulting from the use of the PFF were so large that it was not fully applied. This has remained the case to this date and a system called Floor Damping (or Floors and Ceilings) has been used by successive governments to smooth the impact of its application.

In years when overall funding increased, each force area was assured a minimum percentage increase in grant year-on-year ('the floor'). Those forces that got less than this, based purely on the formula, were topped up so that their grant increase equalled 'the floor'. In order to pay for this, any force receiving an increase based purely on the formula, that was greater than 'the floor,' had their grant increase above this, scaled back by a standard proportion.

For example, if Force A had only received an increase of 2.4%, in order to meet its floor increase it needed another 0.1%. Now, if Force B received a 2.7% increase on last year, part of the 0.2% increase above the 2.5% floor would be used to finance the cost of providing the floor for Force A. This process is commonly referred to as floor damping. Note that this did not mean that all the forces ended up receiving a 2.5% increase (based on this example) because those that received an increase above 2.5% only had part of their funding scaled back, so that they were still above the 2.5% floor. West Yorkshire is one of these areas and has never received its full entitlement of grant under the PFF.

For CSR 2010, all forces suffered the same flat rate percentage reductions in government funding of 5.1% (2011/2) and 6.7% (2012/13). To achieve the flat rate reduction, grant for forces above the 'floor' were scaled back to top up the grant of those falling below the 'floor'.

The amount of grant withheld from West Yorkshire over the last decade as a result of floor damping is as follows;

	£m
2003/04	9.227
2004/05	6.809
2005/06	4.637
2006/07	14.843
2007/08	15.096
2008/09	20.973
2009/10	19.346
2010/11	17.709
2011/12	9.844
2012/13	9.698
<b>TOTAL</b>	<b>128.182</b>

### **THE EFFECT OF GEARING ON OVERALL FUNDING**

The annual budget is financed by central government funding through application of the PFF and Council Tax Precept income. The proportion of each element is known as the gearing ratio. In 2012/13, the WYP budget is £411.730 and it is financed by £322.194 Government Grant and £89.536m Precept. The gearing ratio is therefore 78.25% Government Grant, 21.75% Precept.

The gearing ratios of forces across England and Wales differ significantly. Surrey Constabulary and Northumbria Constabulary find themselves at the extremes. The position of forces prior to the start of CSR 2010 is of interest (based on the 2010/11 CIPFA Estimates) and is shown below:

	Budget Requirement £m	Grant £m	%	Precept £m	%
Northumbria	292.448	256.184	87.6	36.264	12.4
West Yorkshire	438.582	350.508	79.9	88.074	20.1
Surrey	200.900	104.355	51.5	98.338	48.5

If each force was to suffer a 20% reduction in Government grant and Precept income was to remain frozen at the same level, overall funding would be as follows:

Northumbria 241.212

West Yorkshire 368.470

Surrey 181.822

The percentage reduction in overall funding is different for each force because of their differing gearing ratio. Northumbria reduces by 17.5%, West Yorkshire by 16.0% and Surrey by 9.5%.

Using a second scenario, if grant remained at the level of the 2010/11 CIPFA Estimates but Precept was increased by 5%, overall funding would be as follows:

Northumbria 294.261

West Yorkshire 442.986

Surrey 207.610

The percentage increase is once again different for each force because of their differing gearing ratio. Northumbria increases by 0.6%, West Yorkshire by 1.0% and Surrey by 3.3%.

The central government funding reductions implemented as a part of CSR 2010 are hitting metropolitan forces including West Yorkshire harder than other forces, due to their high gearing ratios.

Each one percentage Increase in Council Tax Precept has a disproportionate effect on total funding because of differing gearing ratios. This point is particularly relevant when the government sets its Council Tax excessiveness criteria and once again West Yorkshire Police and other metropolitan forces are hit more severely.

## APPENDIX B

# LISTENING TO YOU FIRST

## BUDGET AND POLICE AND CRIME PLAN



Office of the  
**Police & Crime  
Commissioner**  
West Yorkshire



Hello

As your new Police and Crime Commissioner there are two important things to do.

The Budget and the Police and Crime Plan 2013/14 both need to be determined and before taking important decisions that affect you and your family, where you live and where you work, in your community, I want to hear about your priorities for policing and crime prevention across West Yorkshire.

There are difficult choices to be made. Government spending cuts mean our policing grant will be reduced by 20% between 2010/11 and 2014/15. Savings of £64m have already been made - but a further cut of £18m will be needed in 2013/14. 80% of our budget is spent on people, however, I am firmly committed to reducing the impact on front line policing.

I will look at more ways to increase efficiencies and generate income and at the same time will keep on challenging the unfairness of the cuts to our region. Even after making savings we have 800 police officers at risk whilst Surrey, in the south, has been given the funding for 250 more. But I need your views to make sure the decisions made are right for your communities.

Working together we can make sure your priorities are reflected in the Budget and Police and Crime Plan and I would be very grateful if you could spare some time to answer the questions below and encourage your family, friends and colleagues to do the same. It is vitally important that your voice is heard and your community needs are identified.

If you would like to complete the questionnaire online please use the following link <http://www.smart-survey.co.uk/v.asp?i=64082bmteo>

Let's make these decisions together

A handwritten signature in black ink, appearing to read 'Mark Burns-Williamson'. The signature is stylized and cursive.

Mark Burns-Williamson

**Did you know?**



- Policing West Yorkshire costs £412m a year – that equals £179 PER PERSON.
- Police council tax (Band D) in West Yorkshire is £130.50 a year, or £2.51 a week, unchanged since 2010/11.
- Police council tax ONLY pays for 22% of the policing budget. The rest comes from national taxes, paid by the government as a grant.
- The Police and Crime Commissioner expects to employ around 8,540 people at the end of the financial year – 5,030 police officers, 2,760 police staff and 750 Police Community Support Officers.
- The police work from around 100 separate premises throughout West Yorkshire and have 1,200 vehicles, plus a helicopter.

## YOUR CONCERNS AND PRIORITIES

### Feeling safe:

Can you tell me how safe and protected you feel where you live?

What do you think the police, council, local charities and other organisations could do to make you feel safer?

### Victim services

Have you ever been a victim of crime? Yes  No

If yes, can you comment on how well you were supported by organisations outside of your family, and did you feel everyone put you first?

### Tackling the problems

In your view, what can be done to tackle anti social behaviour?

What do you think are the causes of crime and what can be done to tackle them?

### Crimes against women and girls, and hate crime

Have you ever felt threatened or been attacked because of who you are? Yes   
No

How can organisations and communities challenge crimes like domestic abuse and hate crime?



1	To what extent would you agree that the amount you pay for policing in West Yorkshire offers value for money?	Agree strongly	Tend to agree	Neither agree nor disagree	Tend to disagree	Disagree strongly
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Why do you say that?						

2	The police carry out lots of different functions. I would like you to think about which of the following policing functions are most important to you.	
	Imagine that you had £140 to spend on policing functions. I would like you to divide the money between these functions. The amount you decide to spend on each function should reflect the importance you place on it. For instance if you think all the functions are equally important, give £10 to each (simply type 10 in the box). However it may be that one is very important to you, and you might spend £30 on it. You cannot spend more than £140 in total, but you do not have to spend the money on all of the functions, just those that you think are important.	

Policing function	How much do you want to spend?
Improving our understanding of our communities and working with you to make sure we deliver the policing you want and have a right to expect	
Tackling crime and offending from the misuse of drugs and alcohol	
Tackling violent crime by concentrating on the neighbourhoods most affected by it	
Tackling crime such as burglary, car crime, robbery and theft by concentrating on the neighbourhoods most affected by it	
Tackling domestic violence by supporting people who feel most vulnerable and unsafe	
Tackling serious and organised crime (including class A drugs, people trafficking, gun crime, fraud, computer crime and money laundering)	
Protecting our communities from anti-social behaviour by targeting the neighbourhoods where people feel most vulnerable and unsafe	
Tackling serious sexual offences against women and children	
Tackling the threat of terrorism and violent extremism	
Maintaining the number of police officers and staff available for patrol and responding to calls for assistance	
Tackling crime committed against businesses	

Investigating priority crime and catching the criminals involved	
Working with partners to reduce re-offending	
Investigating complaints and working with you to resolve them	

Think about your household expenditure. Each year the cost of food, transport and heating goes up. If your income doesn't go up as well, you are worse off and may have to cut back on your household bills to find savings.

Police spending goes up every year because our costs go up too (pay, transport, heating). Any increase you pay in police council tax helps to cover this extra cost.

If your police council tax doesn't go up annually, the extra cost of inflation has to come from somewhere else - savings in other areas of police spending. As set out in the introduction, I already have to find savings of £18m for the coming year. THIS IS BECAUSE THE GOVERNMENT IS GIVING US LESS MONEY FOR POLICING.

% council tax increase	Cash increase per year		
	Band A	Band D	Band H
1%	87p	£1.30	£2.61
2%	£1.74	£2.61	£5.22
3%	£2.61	£3.92	£7.83
4%	£3.48	£5.22	£10.44
5%	£4.35	£6.53	£13.05

The Government puts a limit on how much we can increase your police council tax by each year. This year the limit is expected to be around 2%. Any increase over this amount may trigger a local referendum.

<b>3</b>	Looking at the ready reckoner above and how much extra you could pay a year at different levels of increase, would you be prepared to pay more than 2% extra on your police council tax this year?	Yes	No
		<input type="checkbox"/>	<input type="checkbox"/>

Why do you say that?

<b>4</b>	How much extra would you be prepared to pay for policing next year?	No increase	1%	2%	3%	4%	5%	Other (please specify)
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Proceeds of Crime Act 2002 (POCA) lets us confiscate or recover the proceeds of crime from a criminal (this could be cash or property such as houses and vehicles). 50% of this is TAKEN by central government. In some cases West Yorkshire Police gets back 50% of the amount recovered, while in other cases the police share the remaining 50% with the Crown Prosecution Service and Court Service. In 2011/12 the amount of money West Yorkshire Police received through such means was £2.159 million. Some of this money is used to invest in the communities affected, with most of it being used to fund the fight against crime.

<b>5</b>	Would you support me as your Police and Crime Commissioner lobbying Central Government to get more of the proceeds of crime to be returned to West Yorkshire Police?	Yes	No	Not sure		
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Why do you say that?						
<b>6</b>	If I was able to successfully lobby Central Government and secure additional money from proceeds of crime, what would you like to see this additional money spent on?	Frontline policing	Community projects	Tackling reoffending	Supporting victims of crime	Other (please specify)
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

As a public body I have legal duties to monitor the impact of policies and practices on different groups of people. I have asked you to provide the details about yourself below so that I can find out whether some groups will be affected more than others.

What is your age?	
16-24	<input type="checkbox"/>
25-34	<input type="checkbox"/>
35-44	<input type="checkbox"/>
45-54	<input type="checkbox"/>
55-64	<input type="checkbox"/>
65-74	<input type="checkbox"/>
Over 75	<input type="checkbox"/>

What district are you from?	
Bradford	<input type="checkbox"/>
Calderdale	<input type="checkbox"/>
Kirklees	<input type="checkbox"/>
Leeds	<input type="checkbox"/>
Wakefield	<input type="checkbox"/>

Ethnicity	
White	<input type="checkbox"/>
Asian or Asian British	<input type="checkbox"/>
Black or Black British	<input type="checkbox"/>
Chinese	<input type="checkbox"/>
Mixed Heritage	<input type="checkbox"/>
Other Ethnic Group	<input type="checkbox"/>

Gender	
Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

Do you have a long-term health problem or disability which limits your normal day to day activity?	Yes <input type="checkbox"/>
	No <input type="checkbox"/>

Are you:	
Resident in West Yorkshire	<input type="checkbox"/>
Business owner in West Yorkshire	<input type="checkbox"/>
Someone who works in West Yorkshire	<input type="checkbox"/>

Sexual Orientation	
Bisexual	<input type="checkbox"/>
Gay/ Lesbian	<input type="checkbox"/>
Heterosexual	<input type="checkbox"/>

Religion ..... What is your postcode  
 \_\_\_\_\_

If you wish to keep in touch and be involved in the work of the Police and Crime Commissioner please complete the following:

Your first name ..... Your last name  
 .....

and to contact you:

Your e-mail address  
 .....  
 .....

Address  
 .....  
 .....  
 .....  
 .....

# Thank you for taking part

Please return your completed questionnaire to:

Freepost reply RLTL-ZSLT-LXTX  
Office of the Police and Crime Commissioner for West Yorkshire  
Ploughland House  
62 George Street  
WAKEFIELD  
WF1 1DL



@WestYorksOPCC



'Office of the Police and Crime  
Commissioner West Yorkshire'