



WEST YORKSHIRE POLICE AND CRIME PANEL

7 February 2014

PRECEPT PROPOSAL 2014/15

SUMMARY

This paper sets out for the Panel:

- 1. The legal requirements for notification of the precept proposal;**
- 2. The provisional police grant settlement for 2014/15;**
- 3. The medium term position;**
- 4. The draft budget for 2014/15;**
- 5. The funding strategy;**
- 6. Precept options considered by the PCC;**
- 7. The decision by the PCC;**
- 8. The PCC's recommendation to the Panel.**

1. LEGAL REQUIREMENTS FOR NOTIFICATION OF THE PRECEPT PROPOSAL

- 1.1 The Police and Crime Commissioner (PCC) 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 2014/15 by 1 February 2014.
- 1.2 The Panel must review the proposed precept by 8 February and make a report to the PCC. 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 PCC must have regard to and give the Panel a response to their report. Where no veto is exercised the PCC 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 PCC by 22 February. The PCC 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 PCC issuing it as his precept for the forthcoming financial year.
- 1.6 The PCC 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 PCC once the Panel has reached the end of its scrutiny process.

2. THE PROVISIONAL POLICE GRANT SETTLEMENT 2014/15

Key Points

- 2.1 The Police Settlement was announced on 18 December 2013 in a written ministerial statement and included the following key points:
 - 4.8% reduction in core funding, as compared with the Home Secretary's announcement in June of 3.3%;
 - Protection by the Home Office from the 1% additional reduction announced in the Autumn Statement;
 - Top slicing reduces the amount available for core police grant from 3.3% to 4.8%, comprising
 - IPCC £18m
 - HMIC £9.4m
 - College of Policing Direct Entry £3m
 - City of London £2m
 - National Police Co-ordination Centre £2m
 - Police Innovation Fund £50m;
 - Damping of the funding formula remains unchanged in 2014/15, that is, all PCCs receive the same cut in government funding, regardless of their formula allocation;
 - This hits areas like West Yorkshire, with some of the greatest needs, the hardest because of our greater reliance on government grant. Over £30m in grant has been lost as a result of damping over the period of the current Spending Review.
 - The referendum principles are not yet clarified by government;
 - No announcement on funding for 2015/16.

Core Funding

- 2.2. Whereas in the past funding for the police came from the Department for Communities and Local Government (DCLG) as well as the Home Office all funding will now come from the Home Office, including historic council tax freeze grants and localised council tax support.

- 2.3 The 2014/15 police settlement has been reduced by 3.3% from 2013/14 as announced in the Spending Review. However, due to the topslicing the reduction in core funding subject to damping is 4.8%.

	2013/14 £000	2014/15 £000
DCLG/Formula Funding	141,745	135,099
Home Office Police Grant	187,770	183,757
Total Formula Funding	329,516	318,856

- 2.4. 2014/15 includes the Community Safety Fund (CSF) of £5.3m, which was paid as a specific grant in 2013/14. The like for like comparison is therefore with £334.808m in 2013/14, a reduction of 4.8% or £15.3m to £318.856m. This is some £3.4m worse than assumed in the September Medium Term Financial Forecast (MTFF). The PCC passported the CSF to partners in 2013/14 and has protected the core amount available within the budget, extending the current allocations for a further six months in 2014/15.

Other Grants

2.5 Counter Terrorism Specific Grant

“At least £564m” has been allocated to Counter Terrorism in 2014/15. However, the Home Office has previously indicated that we should be prepared for the notification of the allocations to be delayed again.

2.6 Capital Grant

Capital grant is unchanged from the written ministerial statement of January 2012 which confirmed a top slice for the National Police Air Service of £10m. West Yorkshire’s allocation of capital grant is £4.169m.

2.7 Localised Council Tax Support

Payment of localised council tax support funding has been transferred from the DCLG to the Home Office. West Yorkshire’s allocation is £14.468m, a marginal increase on 2013/14.

2.8 Council Tax Freeze Grant 2011/12

Payment of the 2011/12 council tax freeze grant has also been transferred from DCLG to the Home Office. West Yorkshire’s allocation is £2.225m. The 2013 Spending Review confirmed that payment will be extended to 2015/16.

2.9. Council Tax Freeze Grant 2014/15

As part of the Spending Review 2013, the Chancellor announced funding for local policing bodies that freeze or reduce their council tax levels in 2014/15. The grant will be the equivalent of a 1% increase on the unreduced taxbase. The PCC's indicative allocation is £952,164.

Referendum Limit

- 2.10 In previous years the DCLG has announced full details of the referendum principles alongside the provisional settlement. These principles are used to determine whether a council tax increase is "excessive" which would then trigger a local referendum. No firm announcement was made as part of the provisional settlement this time. There are indications that the previously announced 2% figure may reduce, but that the Home Secretary is still in discussion with the DCLG about allowing greater flexibility for PCCs. However, the delay in announcing the criteria is a real concern which is impacting on a final budget/precept proposal.

3. MEDIUM TERM POSITION

The Financial Context

- 3.1 The MTFF (attached at Appendix A) includes the following main assumptions:
- A 4.2% reduction in Home Office funding for 2015/16, and a further 1.9% reduction in 2016/17;
 - Precept increases of 2% from 2014/15 to 2016/17;
 - A Collection Fund surplus of £739k in 2014/15, no surplus or deficit in future years;
 - Assumed police officer recruitment of 308 from 2014/15 to 2016/17, and leavers of 765 (**net reduction 457**);
 - Assumed police staff recruitment of 210 from 2014/15 to 2016/17, and leavers of 397 (**net reduction 187**);
 - A 1% pay award for police officers and police staff in September 2014, 2015 and 2016 (adds £3.5m per annum to the budget);
 - Incremental progression (£2m per annum);
 - Devolved non pay budgets cash limited. Non pay inflation in specific areas e.g. rent/rates, utilities, IT, buildings maintenance (£2m);
 - Increased ill health retirements (£2m);
 - Significant impact of single tier pensions in 2016/17 (£9m).

- 3.2 The savings requirement over the period from 2011/12 to 2016/17 based upon the assumptions set out above now totals £152.2m (30% reduction on the original budget). Of this, £75m was planned for up to and including 2013/14. There is still therefore a very significant challenge ahead to deliver this scale of savings and to improve performance in the face of further substantial reductions to the size of the Force. Detailed plans to meet all of the remaining gap are not yet fully developed.
- 3.3 Her Majesty's Inspector of Constabulary (HMIC) Value for Money Profiles 2013 identify that West Yorkshire receives £3m less than the average allocation for most similar forces from the government funding formula, and £5.6m less from the precept.
- 3.4. **West Yorkshire has significantly fewer police officers per 1000 population than most similar forces and would need an additional 548 officers to reach the same level per head as Greater Manchester Police and 940 to reach the level of West Midlands.**

The Operational Context

- 3.5 Anticipated leavers are sufficient to balance the budget in 2014/15, but a serious concern remains about the longer term prospects given the very significant reduction in the size of the Force. The following table provides an extract from the Force Strategic Assessment, which sets out the threats, risks and harm facing West Yorkshire.

Total Crime	Total crime per 1,000 population remains relatively high compared to other force areas, mainly due to the increase in theft from motor vehicles (up 10%) and shoplifting (up 11%).
Domestic Burglary	There is still a relatively high rate of domestic burglary despite significant and ongoing reductions.
Offender Management	The management of dangerous offenders remains high risk and significant changes are being made through the government's Transforming Rehabilitation agenda.
Child Sexual Exploitation	This continues to be a key risk for the Force and partners and the number of investigations is expected to increase.
Human Trafficking	This is an emerging issue and predictions are that it will gather momentum in a similar way to Child Sexual Exploitation.
Domestic Abuse	There are around 38,000 domestic abuse incidents a year and just over a third of victims have previously reported domestic abuse.
Serious Sexual Offences	West Yorkshire has the highest rate of increase nationally.
Anti Social Behaviour	Although reducing, ASB is high volume and a key priority for communities.

- 3.6. Other issues within the Strategic Assessment include non domestic burglary, organised crime, terrorism, cyber enabled crime, drugs, firearms, public order and missing persons, all of which will require significant investment.

4. DRAFT BUDGET 2014/15

- 4.1 The Draft Base Budget for 2014/15 reflects the following key issues and assumptions:

- A 1% pay award for police officers and police staff in September 2013 and September 2014 (£3.534m);
- The cost of police officer and police staff increments (£2.115m);
- Provision for 8 Public Holidays;
- No price increases on devolved non pay budgets. On other budgets, the general price increases of 2.0% and larger increases in some specific areas including electricity (12%), rent and rates (3.2%), computer contracts/maintenance (3.5%), buildings maintenance 3% (£1.950m);
- The revenue implications of capital schemes e.g. implications of successful bids to the Force Transformation fund, PFI running costs, computer maintenance costs etc (£1.804m);
- Increased charges for national IT systems (£0.245m);
- Increased ill health retirement costs of £2.125m (assumed increase from 15 to 40 ill health retirements in 2014/15);
- Additional temporary staffing (£0.574m) funded from the Organisational Change Reserve;
- Force budget savings of £43.787m, including both pay and non pay items and savings achieved earlier than forecast in previous years
- No presentational adjustments as yet to reflect any proposed changes of direction and control between the Chief Constable and the OPCC at Stage 2 Transfer;
- The loss of 224 police officers and 126 police staff;
- The recruitment of 126 police officers and 70 essential police staff posts;
- No change as yet to the current number of PCSOs, pending discussions with partners
- A range of budget spending pressures and growth totalling £3.061m, partly funded by additional savings of £1.369m. This includes recruitment of Special Constables (£1.211m), Professional Standards Department (£0.888m) and monitoring of Sex Offenders (£0.604m);
- Presentational changes to remove the Council Tax Support grant and Community Safety Grant which are now included alongside the main grant settlement;
- No use of general balances in 2014/15;
- Contribution of £8.5m to reserves and balances through the early achievement of savings through leavers in 2014/15.

- 4.2 The summary movement statement from 2013/14 to 2014/15 is attached at Appendix B. While the budget is balanced for 2014/15 and savings over and above those required for the next financial year are achievable, the longer term position demands a financial strategy that maximises the sustainable resources available and utilises as far as possible non recurring resources as a means to reduce ongoing costs and demand for the Force and partners.

5. FUNDING STRATEGY

Reserves and Balances

- 5.1. The former Authority agreed a strategy to utilise surplus balances (generated from the early achievement of savings required) to balance the budget during the transition to the reduced budget levels anticipated at the end of 2016/17, now representing a reduction of around 30%. Balances transferred from the Authority were £30.7m, and at 31 March 2013 these stood at £40.9m. It was anticipated that the surplus amount would largely be utilised over the remaining years of the MTFF.
- 5.2. The HMIC Valuing the Police 3 report was critical of the heavy reliance placed upon balances to fund recurring expenditure over the period of the MTFF, which is not recommended professional practice unless made explicit and with clear plans in place to meet the deficit in the longer term. The PCC required a change in budget presentation to better reflect the savings profile anticipated through leavers, and following significant work on the Programme of Change to identify additional savings the reliance on balances has been significantly reduced, albeit with a very significant loss of officers and staff. **The HMIC have now responded positively to the work undertaken as set out in their letter of 13 January 2014, attached at Appendix C.**
- 5.3. The utilisation of the one-off surplus balances generated through Force underspends for re-investment will enable fast diminishing numbers of staff and officers to work smarter and to be more visible in our communities to improve service provision and contribute, with partners, to making communities safer and feeling safer. The focus of these initiatives will be on reducing demand, increasing efficiency and effectiveness and cutting costs.

5.4. The PCC will be considering the following proposals for utilisation of the surplus balances, which after retention of a risk assessed minimum figure of £8.7m currently stand at some £32m:

- Time limited top up to the Community Safety Commissioning/Grants Funding £5.5m over two years
- Partnership Executive Group Innovation Funding £1m over two years
- 3i Pump Priming Funding £0.5m (see paragraph 5.16 below)
- Capital Financing Funding £5m
- Force Transformation Funding revenue and capital £20m

5.5. The total funds available from the Community Safety Fund will therefore total £16.1m over 2014/15 and 2015/16, a significant increase by the PCC on the funding previously made available to partners by government. In addition, bids will be invited against the pot of £1m set aside for the Partnership Executive Group, for initiatives which support innovation through partnership in delivering the outcomes in the Police and Crime Plan.

5.6 Partners have for several years provided a much valued contribution to the funding of PCSO posts in each of the five District Council areas. The position for 2013/14 is set out in the table below, showing the number of full time equivalent posts.

DISTRICT	PARTNER FUNDED POSTS	PARTNER CONTRIBUTION £ per year	PCC CONTRIBUTION £ per year	TOTAL COST £ per year
BRADFORD	120	1,100,880	2,568,720	3,669,600
CALDERDALE	13	119,262	278,278	397,540
KIRKLEES	68	623,832	1,455,608	2,079,440
LEEDS	165	1,513,710	3,531,990	5,045,700
WAKEFIELD	33	302,742	706,398	1,009,140
TOTAL	399	3,660,426	8,540,994	12,201,420

5.7. Partners fund approximately 30% of the cost of each of the 399 PCSOs shown above, and the Police and Crime Commissioner has already committed to retain his proportion of funding in the budget, which is £17.8m. Some £14.3m of this was formerly provided by the Government as a ring fenced specific grant. Although following the election of PCCs this was transferred into general grant and could now be used for other purposes, the PCC has made a firm commitment to protect the frontline. People across West Yorkshire are clear that this is a priority.

- 5.8 The PCC is very conscious that partners are also facing significant budget reductions, and following discussions has made an offer to contribute a further 30% towards the current partner funded posts over a time limited period of two years, provided there is a firm commitment from each District to fund the remaining balance over that same period. This would cost some £2.2m and would be met from the Community Safety Fund. The PCC has also agreed to allocate £1m of the Community Safety Fund towards a West Yorkshire wide programme of work tackling domestic violence and sexual offences. Discussions with the five District Councils are ongoing.
- 5.9. In the face of such severe cuts and high levels of demand, there is a clear need to transform the organisation to meet the policing and community safety needs of West Yorkshire and to meet the changing needs and challenges to make sure our communities are safer and feel safer. One aspect of this is improving the technology used in preventing and detecting crime, and maximising the visibility, efficiency and effectiveness of officers on the frontline.
- 5.10. The PCC will be considering business cases provided by the Force for utilisation of the Transformation funding, against the criteria of impact on:
- The shared outcomes of the Police and Crime Plan (included at Appendix D)
 - Critical operational and organisational issues
 - Transforming the organisation to meet financial challenges
- 5.11. The Transformation funding of £20m has been set aside to meet the emerging operational and organisational threats caused by a 30% reduction in funding. It is predicted that further significant cuts will continue post the general election. It is therefore critical that West Yorkshire Police continues to transform how it delivers its policing services to our communities, improving performance and quality of service to ensure communities are safer and feel safer. In order to meet these challenges urgent investment is required in the following areas:
- A new Force IT platform.
 - The introduction of mobile technology including hand held devices and vehicle borne computers.

- The automation of every business process undertaken by back and middle office support functions to reduce the burden of bureaucracy on the front line.
 - Significant investment in Automatic Number Plate Recognition infrastructure and capability to ensure our communities in West Yorkshire are safer and feel safer by proactively denying the use of the county's road network to the criminal.
 - Further integration of police and partner agency service delivery to communities to enable safer neighbourhoods.
- 5.12. The Chief Constable of West Yorkshire Police has implemented the Programme of Change to transform the organisation to make the required savings and meet the challenging and changing policing and community safety needs of the communities of West Yorkshire. This organisational reform has been well received by HMIC, which has acknowledged the serious and unequal financial situation that West Yorkshire Police are in as compared to other forces.
- 5.13. For the Chief Constable to deliver transformational change however investment is fundamental. The £20m earmarked into reserves is to ensure that the most pressing policing needs of West Yorkshire are met, although it will only meet certain requirements and further investment is vital to ensure the continuing effectiveness and efficiency of the Force.
- 5.14. The funding offers a one off potential for West Yorkshire Police to make the necessary investment in ICT to ensure the maximum efficiency and effectiveness of the fast diminishing numbers of police officers and police staff. For example, tried and tested vehicle and handheld devices and body worn cameras will enable officers and staff to be more visible, more productive, engage more meaningfully and be more efficient but also more effective.
- 5.15. The investment in the future of policing and community safety is of paramount importance to all of us as we face unprecedented cuts and work towards the shared outcome of making sure our communities are safer and feeling safer.

5.16. The PCC has allocated this one off funding to the Force but also to partners to meet the shared outcomes in the Police and Crime Plan, and is working with the Chief Constable and other partners through the 3i (innovation, income generation and investment) project led by the Chief Executive to explore opportunities for innovation and income generation at a local, national, European and international level to further invest in all our communities.

5.17 An analysis of the reserves position is set out at Appendix E.

6. PRECEPT OPTIONS CONSIDERED BY THE PCC

6.1 The delay in the government announcing the referendum principles has made budget planning more difficult. In the absence of firm criteria and based upon the position in 2013/14 and earlier indications by DCLG and the Home Office, 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, which is equivalent to 3.69%

6.2 As previously discussed with the Police and Crime Panel, the PCC has conducted another “Listening to You First” Survey to gain views from the public about how much extra they would be prepared to pay for policing next year. **65% of respondents would be prepared to pay 2% or more on the police council tax.**

6.3 The results are shown at Appendix F and summarised below:

Change in Police Council Tax	All respondents
Reduction	0.3
No increase	18.3
1%	12.2
2%	15.9
3%	14.0
4%	4.5
5%	28.3
Over 5%	2.3
Other	4.2

Base: 1,015

6.4 Details of the police council tax for the three options are given at Appendix G, and the increases for options 2 and 3 are shown below.

COUNCIL TAX BAND	Option 2 2% Increase £p per annum	Option 3 3.69% Increase £p per annum
A	1.80	3.33
B	2.10	3.89
C	2.40	4.44
D	2.70	5.00
E	3.30	6.11
F	3.89	7.22
G	4.49	8.33
H	5.39	10.00

6.5 A 2% increase would take the Band D police council tax for 2014/15 to £138.20 a year. Approximately 64% of households in West Yorkshire are in Bands A and B, and would pay £92.13 and £107.49 respectively.

7. DECISION BY THE PCC

7.1 Relevant considerations for the PCC in making his decision included:

- The impact on frontline policing and the potential for recruitment of police officers in 2014/15 and beyond;
- The impact on council taxpayers;
- Future financial health, including the adequacy and utilisation 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;

7.2 The PCC was conscious of the current level of the police council tax which is the third lowest in England and Wales, the current difficult economic climate facing the public and the longer term requirement to make significant additional savings in the budget. To accept the offer of council tax freeze grant, which is time limited, is a short term solution but one which in his view endangers the future financial health and viability of the police service in West Yorkshire. This is not a sustainable option and, having committed to keep communities safer and feeling safer in his Police and Crime Plan, not one which the PCC is able to accept because of its longer term implications.

- 7.3 Sustaining the recruitment of police officers to protect the frontline is a priority for the PCC, and one which requires a sustainable source of revenue funding. At the time of setting the budget in 2013/14, the financial and organisational position dictated that the only means of allowing for any police officer recruitment was to increase the police council tax by the £5 at Band D allowed for by the government for those PCCs falling into the lowest 25%. This was a difficult decision given the economic climate and on balance the PCC is unable to agree a similar increase, if allowed, in 2014/15.
- 7.4 The PCC has therefore decided to notify the Panel of his intention to increase the police council tax precept by 2% for 2014/15. Should the government announce a lower referendum limit, the PCC would have little option other than to calculate the council tax and issue the precept at that lower limit, given the very significant risks and costs associated with holding a local referendum. Each 1% on the police council tax generates around £800k in precept. A reduction in the referendum limit to say 1.5% would therefore require an additional £400k in savings.
- 7.5 The PCC's proposal would result in a budget of £418.4m, a reduction of 1.6% on 2013/14. The budget allows for the **recruitment of 126 police officers**, as against forecast leavers of 224, a net reduction of 98. Police staff numbers would reduce by 56, after allowing for recruitment of 70 to essential posts including increasing the Force capacity to deal with Child Sexual Exploitation, cyber crime, fraud, domestic abuse and Proceeds of Crime Act seizures from organised criminals. The overall position on PCSOs will depend upon the decisions taken by the five District Councils to the PCC's proposal to provide additional funding for a two year period to preserve frontline numbers. Funding is also provided for the increased recruitment of special constables and volunteers.

8. RECOMMENDATIONS

- 8.1 **The PCC recommends that the Panel agrees his proposed precept figure of £82,390,285. This would result in an increase to the police council tax of 2%, taking it from £135.50 to £138.20 at Band D. Approximately 64% of households in West Yorkshire are in Bands A and B, which would increase from £90.34 to £92.13 and from £105.39 to £107.49 respectively.**

8.2 Should however the government announce a referendum limit lower than the PCC's preferred increase of 2%, the PCC recommends that the Panel agrees that the council tax should be increased up to that limit, to avoid the significant risk and cost of a local referendum. That would impact upon the proposed precept as set out in paragraph 7.4 above, but the exact figure cannot be quantified until the government announcement is made. It is unprecedented that this announcement is yet to be made and the PCC has raised his concerns directly with the Police Minister and Home Secretary.

Appendices

- A Medium Term Financial Forecast (2% police council tax increase illustrated).
- B Movement Statement 2013/14 to 2014/15
- C HMIC Letter of 13 January 2014
- D Community Outcome Framework
- E Reserves and Balances
- F Listening to You First Survey results
- G Council Tax Options

Last Updated January 2014

WEST YORKSHIRE POLICE MEDIUM TERM FINANCIAL FORECAST 2013-14 TO 2016-17

	2013/2014 Estimate at Outturn £000	Savings £000	2013/2014 Revised Estimate £000	Adjustments £000	Savings £000	Pay and Prices £000	2014/2015 Estimate at Outturn £000	Adjustments £000	Savings £000	Pay and Prices £000	2015/2016 Estimate at Outturn £000	Adjustments £000	Savings £000	Pay and Prices £000	2016/2017 Estimate at Outturn £000
DEVOLVED AND DELEGATED															
Police Pay	247,628	-4,242	243,387	1,657	-10,816	2,383	236,610	5,018	-14,001	2,422	230,049	11,945	-13,992	3,843	231,845
Police Allowances	6,888	-1,000	5,888	140	-950	32	5,110	0	-1,200	0	3,910	0	-1,200	0	2,710
Police Staff Pay and Allowances	107,043	-4,020	103,023	719	-496	1,034	104,280	800	-1,830	1,053	104,303	3,921	-1,965	1,719	107,978
Police Overtime	7,357	0	7,357	300	-1,105	69	6,621	600	0	72	7,293	-2,400	0	78	4,971
Police Staff Overtime	1,656	0	1,656	0	-115	16	1,557	0	0	16	1,573	0	0	25	1,598
Sub Total Pay and Overtime	370,573	-9,262	361,311	2,815	-13,482	3,534	354,178	6,418	-17,031	3,564	347,129	13,466	-17,157	5,665	349,102
Medical Expenses	4,219	0	4,219	0	-810	68	3,477	0	0	70	3,547	0	0	180	3,727
Forensic	7,511	-161	7,350	0	-300	141	7,191	0	0	145	7,336	0	0	147	7,483
AFR	360	0	360	0	0	7	367	0	0	7	375	0	0	8	382
DNA	2	0	2	0	0	0	2	0	0	0	2	0	0	0	2
Clothing	1,260	0	1,260	0	0	25	1,285	0	0	26	1,311	0	0	26	1,337
Training	569	0	569	0	0	11	580	0	0	12	592	0	0	12	604
Computers and Communications	12,646	-332	12,314	44	-316	217	12,259	350	-100	440	12,949	500	-720	467	13,196
Buildings Maintenance	2,437	0	2,437	0	-70	67	2,434	0	0	49	2,483	0	0	50	2,533
Cleaning	2,593	-300	2,293	0	300	52	2,645	0	0	53	2,698	0	0	54	2,752
Rent and Rates	10,744	-300	10,444	0	-400	336	10,380	0	-1,000	366	9,746	0	-1,000	344	9,090
Energy	4,796	0	4,796	0	-300	441	4,937	0	0	250	5,187	0	0	263	5,450
Contracted Support Services	275	0	275	0	0	6	281	0	0	6	286	0	0	6	292
Car Allowances & Travel	1,609	-150	1,459	0	-150	0	1,309	0	0	26	1,336	0	0	27	1,363
Vehicle Fleet	12,474	-553	11,921	0	-270	233	11,884	0	0	536	12,419	0	0	605	13,024
Internal Printing	236	-50	186	0	50	0	236	0	0	5	241	0	0	5	246
Training Recharge	242	0	242	0	0	0	242	0	0	5	247	0	0	5	252
Advertising	70	0	70	0	0	1	71	0	0	1	73	0	0	1	74
Furniture and Fittings	131	0	131	0	0	0	131	0	0	3	134	0	0	3	137
Operational and Admin Equipment	3,055	-230	2,825	0	226	11	3,062	0	0	62	3,124	0	0	63	3,186
Photocopying	1,016	0	1,016	0	0	0	1,016	0	0	20	1,036	0	0	21	1,057
Printing Stationery and Publications	545	-50	495	0	50	0	545	0	0	11	556	0	0	11	567
Postage	352	-50	302	0	50	0	352	0	0	7	359	0	0	7	366
Divisional Initiatives/Community Safety	684	0	684	0	0	0	684	0	0	14	698	0	0	14	712
ID Parades	176	0	176	0	0	4	180	0	0	4	183	0	0	4	187
Vehicle Recovery	530	0	530	0	0	11	540	0	0	11	551	0	0	11	562
Agency Staff and Professional Services	1,727	0	1,727	-45	0	34	1,716	0	0	34	1,750	0	0	35	1,785
Helicopter	1,612	0	1,612	0	0	24	1,636	0	0	83	1,719	0	0	87	1,806
PFI	449	0	449	779	0	31	1,259	-724	0	17	551	-44	0	11	518
Officers From Other Forces	15,229	0	15,229	0	0	152	15,382	0	0	309	15,691	0	0	315	16,006
Subsistence Hotel & Hospitality	1,194	0	1,194	0	-150	0	1,044	0	0	21	1,065	0	0	21	1,087
Other	15,960	0	15,960	0	-720	166	15,406	0	0	387	15,794	0	0	397	16,191
Income	-76,034	-815	-76,849	34	-85	-487	-77,387	0	0	-497	-77,884	0	0	-506	-78,390
Sub Total Non Pay	28,669	-2,991	25,678	812	-2,895	1,552	25,147	-374	-1,100	2,482	26,155	456	-1,720	2,693	27,584
TOTAL DEVOLVED AND DELEGATED	399,241	-12,253	386,989	3,627	-16,377	5,086	379,325	6,044	-18,131	6,046	373,283	13,922	-18,877	8,358	376,686

WEST YORKSHIRE POLICE MEDIUM TERM FINANCIAL FORECAST 2013-14 TO 2016-17

	2013/2014 Estimate at Outturn £000	Savings £000	2013/2014 Revised Estimate £000	Adjustments £000	Savings £000	Pay and Prices £000	2014/2015 Estimate at Outturn £000	Adjustments £000	Savings £000	Pay and Prices £000	2015/2016 Estimate at Outturn £000	Adjustments £000	Savings £000	Pay and Prices £000	2016/2017 Estimate at Outturn £000
NON DEVOLVED/ DELEGATED															
Pensions	6,006	0	6,006	2,525	0	158	8,689	-850	0	235	8,074	0	0	242	8,317
Capital Financing:															
Debt Charges	9,610	-940	8,670	0	-23	0	8,647	0	-412	0	8,235	0	0	0	8,235
Direct Revenue Support	10,856	0	10,856	-10,356	0	0	500	0	0	0	500	0	0	0	500
Unfunded Pension Costs	208	0	208	0	0	4	212	0	0	5	217	0	0	5	223
Insurance	1,720	0	1,720	0	0	84	1,804	0	0	90	1,894	0	0	95	1,989
Prisoner Meals	135	0	135	0	0	3	138	0	0	3	140	0	0	3	143
Witness Allowances/Interpreters Fees	805	0	805	0	0	16	821	0	0	16	838	0	0	17	854
Legal Fees/Ex Gratia Payments	131	0	131	0	0	3	134	0	0	3	136	0	0	3	139
Organisational Change	1,150	-1,150	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	5,213	-2,844	2,369	10,981	-10,289	14	3,075	675	0	14	3,764	0	0	14	3,779
PNC	2,127	0	2,127	245	0	119	2,491	0	0	75	2,565	0	0	77	2,642
Vehicle Fleet Financing	-2,720	0	-2,720	0	0	0	-2,720	0	0	0	-2,720	0	0	0	-2,720
Income General	-18,508	-38	-18,546	14,507	157	-29	-3,911	0	43	-30	-3,898	0	0	0	-3,898
TOTAL NON DEVOLVED/DELEGATED	16,733	-4,972	11,761	17,902	-10,155	372	19,880	-175	-369	412	19,747	0	0	456	20,204
TOTAL FORCE BUDGET	415,974	-17,225	398,750	21,529	-26,532	5,458	399,205	5,869	-18,500	6,457	393,031	13,922	-18,877	8,814	396,890
OFFICE OF THE PCC	1,736	0	1,736	0	-73	26	1,689	0	-77	25	1,637	0	-23	33	1,647
COMMUNITY SAFETY FUND GRANT (Note 2)	-3,916		-3,916	5,292			1,376	0			1,376				1,376
COMMUNITY SAFETY COMMISSIONING (NOTE1)	3,916		3,916	0			3,916				3,916				3,916
POLICE OFFICER RECRUITS				2,090			2,090	3,712			5,802	2,838			8,641
GROWTH				1,692			1,692	271			1,963	-114			1,849
ORGANISATIONAL CHANGE COSTS				574			574	0			574	0			574
SAVINGS DELIVERED EARLY /RESERVES															
ORGANISATIONAL CHANGE		4,000	4,000	-4,000	5,000		5,000	-5,000			0				0
INSURANCE		2,400	2,400	-2,400			0				0				0
CAPITAL		3,924	3,924	-3,924			0				0				0
GENERAL BALANCES					3,721		3,721	-3,721			0				0
TOTAL		10,324	10,324	-10,324	8,721		8,721	-8,721			0	0	0	0	0
TOTAL BASE BUDGET FUNDED BY	417,710	-6,901	410,810	20,279	-17,884	5,484	419,262	1,131	-18,577	6,482	408,299	16,646	-18,900	8,847	414,891
CONTRIBUTION FROM BALANCES	6,900	-6,900	0	0		0	0	0		0	0	6,849		0	6,849
CONTRIBUTION FROM EARMARKED RESERVES				574			574				574				574
EXTERNAL SUPPORT	331,741		331,741	3,808			335,549	-14,089			321,461	-6,103			315,358
TOPSLICE FUNDING IPCC				0			0				0				0
COLLECTION FUND SURPLUS/DEFICIT	-509		-509	1,248			739	-739			0				0
TOTAL FUNDING	338,132	-6,900	331,232	5,630	0	0	336,862	-14,828	0	0	322,035	746	0	0	322,781
PRECEPT REQUIREMENT	79,578		79,578	2,821			82,399	1,648			84,047	1,680			85,727
SHORTFALL							0	0			2,217	0			6,384

Note 1

The Community Safety Fund includes funding for the Drugs Intervention Programme which funds Detention Officers shown in the Police Staff pay budget. Funding for 2013-14 has been agreed at £1.376m. It is assumed any reduction in funding in future years will be offset by reductions in the Programme.

Note 2 The Community Safety Fund is incorporated in the Police Grant for 2014-15

SUMMARY MOVEMENT STATEMENT 2013/14 TO 2014-15

	£000	£000	%
BUDGET REQUIREMENT 2013-2014		410,810	
Add Back Council Tax Benefits Grant		14,422	
		425,232	
UNAVOIDABLE MOVEMENTS			
Pay and Prices			
Police Officer	2,484		
Police Staff	1,050		
General Inflation	<u>1,950</u>	5,484	1.29
Revenue Implications of Capital			
Debt Charges	0		
Transformational Bids	675		
New Buildings PFI	779		
Software Maintenance	<u>350</u>	1,804	0.42
Budget Increases			
Increments	2,115		
Contributions National IT Systems	245		
Bank Holiday Overtime	300		
Ill Health Retirements	2,125		
On Call Allowance	140		
Pensions Non Contractual Overtime	176		
LGPS increase	85		
Other	73	5,259	1.24
Budget Reductions			
Agency Staff and Professional Fees Estates		-45	-0.01
Organisational Change Costs			
Communications Officer	50		
Estates Agency Staff	330		
Project Officers	193	574	0.13
Income and Grants			
Loan Charges Grant	85		
Loss of Income IT	34		
Interest on Revenue Balances	0	119	0.03
Use Of Balances			
Reduce Use of Balances 2013-14	6,900		
Surplus Savings Transfer to Reserve	8,482		
Use of Organisational Change Reserve	-574	14,808	3.48
Force Budget Savings			
Police Pay	-15,058		
Police Allowances	-1,950		
Police Staff Pay	-4,516		
Overtime	-1,220		
Medical	-810		
IT	-1,448		
Transport and Travel	-1,123		
Estates	-1,070		
Forensics	-511		
Regional	-750		
Income	-781		
Debt Charges	-963		
Organisational Change	-1,150		
General running Costs	-237		
Savings from 2012-13	-12,200	-43,787	-10.30
Office of PCC Budget Savings		-73	-0.02
Community Safety Fund Grant Now in Main Grant		5,292	1.24
Community Safety Grant Allocations		0	0.00
Police Officer Recruits		2,090	0.49
Growth			
Specials	1,211		
Direct Entry Recruits	143		
PSD Officers and Staff	888		
Transport	30		
Crime Registrar DCI	75		
Apprentice Scheme	110		
Sex Offenders Officers	604		
Savings Redirected to fund Officer Growth	-1369	1,692	0.40
DRAFT BASE BUDGET 2014/15		418,449	-1.60

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Roger Baker, QPM, MBA, MA
Her Majesty's Inspector of Constabulary

Mr M Burns-Williamson OBE
Police and Crime Commissioner for West Yorkshire

13 January 2014

Dear Mark

VALUING THE POLICE 3 RE-INSPECTION

I write following our recent valuing the police 3 (VtP3) re-inspection of West Yorkshire Police. The purpose of this letter is to set out formally Her Majesty's Inspectorate of Constabulary's (HMIC's) feedback from the revisit and to elaborate on the areas covered with you and the Chief Constable in the debrief.

The re-inspection was undertaken as a result of our findings during the initial VtP3 inspection last year. At that time we identified that while the force had undergone change in a number of areas and delivered savings through year on year cost reduction (including those prior to the spending review), there remained a projected savings gap of £9.4m by 2014/15. Overall, HMIC considered that West Yorkshire had missed the opportunity to grasp the challenge of the spending review and restructure the way it operates so that it was both affordable and delivered improved levels of performance.

Since the VtP3 inspection, with your support, the force has moved quickly to refocus under a clear vision for the future supported by a new operating model and underpinned by a comprehensive change programme. As a result of this the force has a plan which enables it to close the previously identified savings gap, supports improved performance and enables West Yorkshire to be better placed to respond to future funding challenges.

I will provide more detailed strategic comments against the three core questions that the VtP programme explores:

- does the force understand its financial challenge and have an effective plan to respond;
- the impact of the plan on the operating model and for keeping communities safe; and
- the management of future risk.

Financial plan and response

I was encouraged by the clear vision for West Yorkshire Police provided by you and the Chief Constable and the identification of the steps necessary to move to a 'world class police service and make your communities safer'. The Chief Constable is confident that the organisational change that contributes to this and the savings required will be delivered through the force's programme of change. This seeks to:

- develop and deliver a truly transformational operating model that ensures West Yorkshire Police is not only a financially efficient organisation but continues to deliver high quality policing services to the public of West Yorkshire;
- maintain or improve operational performance and deliver the requirements of your Police and Crime Plan;
- rebuild the force's reputation, public trust and confidence;
- deliver savings of £143m by 31 March 2017; and
- transform and embed an organisational culture that will ensure service improvement is sustainable over the longer term.

The force's medium term financial forecast (MTFF) takes account of the remainder of the current spending review period, the spending round announcement for 2015/16 and the year after. For the period to March 2015 it has identified a savings requirement of £102.3m and has developed plans to achieve £105m giving an estimated surplus of £2.7m. In addition the force's MTFF shows a significantly reduced reliance on reserves (from £31m to £7m), with no reserves planned to be used to balance the budget within the current spending review period and just a figure of £7m shown for the financial year 2016/17.

The force is continuing to pursue further savings opportunities which are yet to be included in the MTFF, which include non pay savings and reducing costs of debt. With higher than expected numbers of leavers (and those leaving earlier than planned) the force's budget shows an anticipated underspend of £17.2m for 2013/14.

During the inspection the force was able to provide a detailed breakdown of key elements of the new operating model, the savings that will be achieved, the workforce impact and the supporting business cases. This gives us confidence that the force will be able to meet the financial challenge of the spending review and be well placed for 2015 and beyond.

Impact on the operating model and keeping communities safe

Since our earlier visit the force has made much progress to fundamentally change its structures, process and culture. It has defined a high level operating model and is now working through implementation. This work will see fewer territorial areas, a smaller (but more focused) leadership team at all levels, a realignment of specialist crime and operations and greater collaboration.

I was encouraged to see how the supporting change work is being integrated with finance and human resources. This gives greater assurance on the robustness of the approach and likelihood of success. The savings requirement and the necessary workforce reductions are clear and provide focus for the developing work. The force has identified that workforce reductions of 2,242 full time equivalents (from a baseline of March 2010) will be necessary by 2017 (1,312 police officers, 891 police staff and 39 police and community support officers). The force is committed to maintaining 4,500 police officers (actuals). Encouragingly it is working within its change programme to try to exceed this to a level of 4,700 police officers.

A key element of the new operating model is to pursue further collaboration. The force is currently consolidating much of the existing collaboration activity within a lead force model. Since our inspection the force has been able to revise upward the projected contribution of collaboration towards its required savings. Collaborative savings amount to £10.7m to 2014/15 or 11% of the force's total savings requirement, which is higher than the 7% figure for England and Wales.

I was encouraged to hear the renewed focus in support of further regional collaboration and the impetus on this from the discussions taking place between the respective PCCs and also the chief constables. There is clearly an appetite for further collaboration and to benefit from the opportunities this brings in terms of savings, other efficiencies and operational resilience. This early progress is most welcome but the real test is to translate this ambition into agreement and firm plans. The earlier this is achieved the greater the potential savings that can be accrued to meet future shortfalls and to maintain resources in local policing and protecting the public from

harm. We will revisit this as part of VtP4, in particular to look at the progress you have made and your plans for further collaboration.

Since our earlier inspection the force has put in place revised arrangements to drive performance improvement. It has changed the performance management and accountability structures, ensured a focus on leadership and visibility and through 'Operation Viper' is embedding a fundamental change to the way the force delivers business on a day to day basis. It was able to report improved crime reduction performance and this early progress is very welcome. I was encouraged to see the integration of the change programme with strategic performance improvement and this should enable the force to maintain its focus as it progresses the plans. HMIC will continue to maintain close contact with the force as it continues to embed activity that leads to sustained performance improvement.

Management of future risk

The MTFE clearly sets out the financial challenges ahead to 2016/17 based upon the force's best assessment of funding, inflation and other cost pressures.

The force is clear on the savings requirement to 2016/7 and now has well developed plans to achieve £50m of the £68m required. The force has also identified through benchmarking and application of 'lean process' the potential for further savings within the frontline, operational support and business support. However, this is subject to formal reviews, modelling and the development of new processes and technology.

Including the force's use of reserves it is now able to show a balanced budget to 2016/17.

The prudent approach to showing savings, the cautious but realistic assumptions and financial governance provides the force with clarity on the financial challenges beyond the current spending review. This forward focus is important as the force continues to develop to meet and stay ahead of the challenges in the forthcoming years.

VtP4 will provide an opportunity for you to update us on the proposals, provide more detail on the implementation plan and timescales, and highlight any early savings achieved and raise any potential risks/issues that may have arisen.

Summary

During the re-inspection the force was able to demonstrate that it had addressed the principal concerns identified in our earlier VtP3 inspection. It was able to set out plans to close the previously identified gap, had a clear vision of the future operating model (integrated with workforce and budget plans) and was driving forward on implementation to move the force to this new model. In addition the force has been able to demonstrate very welcome early improvements in performance and was confident that these would be built on.

We look forward to returning to West Yorkshire as part of the all force VtP4 inspection where we will pick up on the continued progress, in particular:

- the progress in implementing the new operating model;
- progress on furthering collaboration opportunities; and
- continued performance improvement based on embedded effective practice.

I would like to take this opportunity to thank you, the Chief Constable and force for supporting the re-inspection and hope that you also found it a valuable process to inform the developing programme.

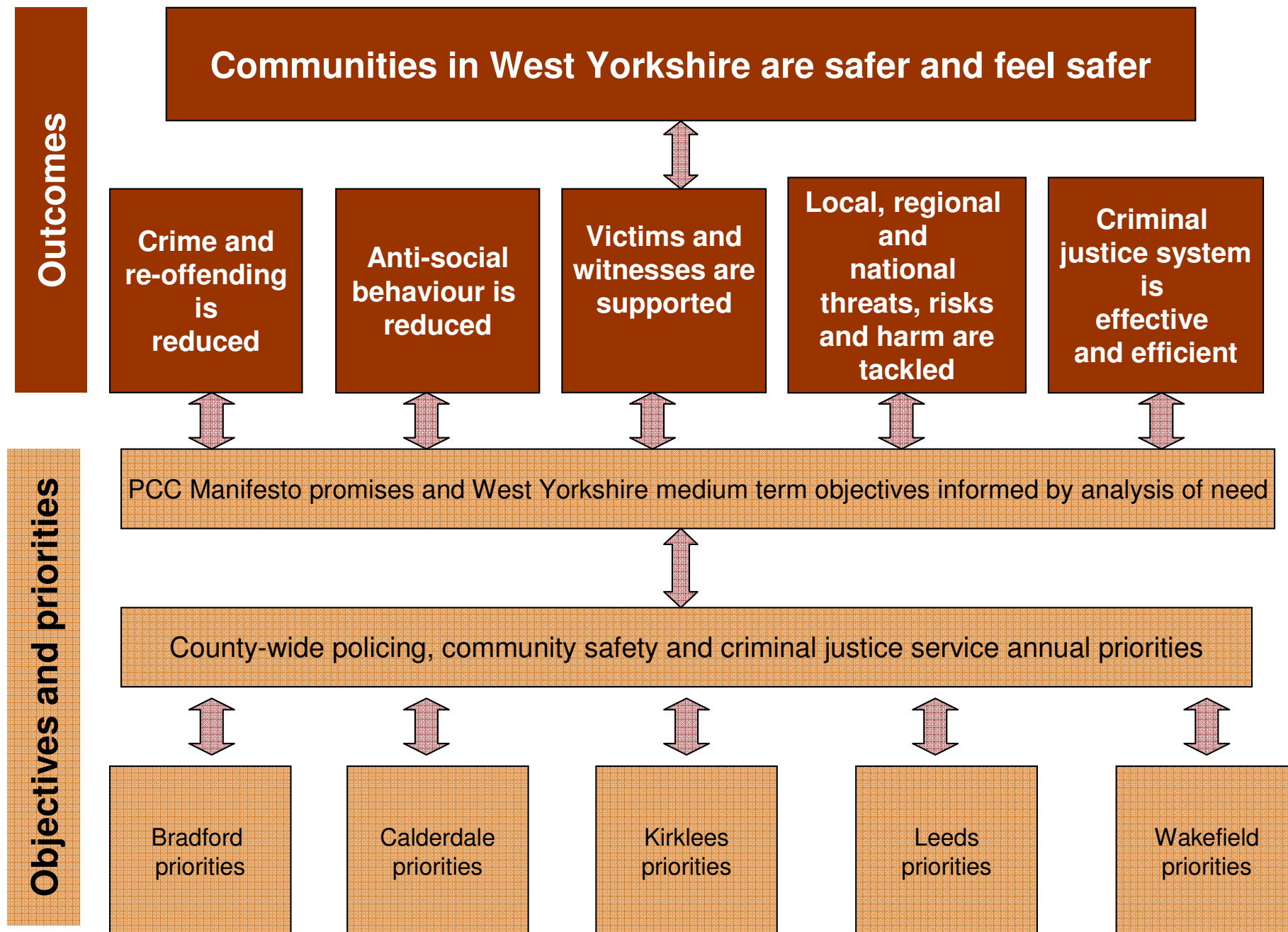
I have purposely kept the feedback to key strategic areas but I am happy to speak with you in more detail and both Stuart Eckford and Mike Gallagher are also available to you and your staff.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roger Baker', with a large, sweeping flourish above the name.

Roger Baker
HM Inspector of Constabulary

Appendix B - Community Outcome Framework



APPENDIX E

	31 March 2013 £000	Net Change 13/14 £000	31 March 2014 £000	Net Change 14/15 £000	31 March 2015 £000	Net Change 15/16 £000	31 March 2016 £000	Net Change 16/17 £000	31 March 2017 £000
EARMARKED RESERVES									
Devolvement Reserve	4,492	-992	3,500	-3,500	0		0		0
VIPER Reserve	2,837	200	3,037	160	3,197	160	3,357	260	3,617
PFI Sinking Fund Reserve	3,471	3,124	6,595	276	6,871	139	7,010	439	7,449
Regional Working Reserve	319	-319	0		0		0		0
Dilapidations Reserve	3,000	0	3,000	-1,000	2,000	-1,000	1,000	-1,000	0
Capital Financing Reserve*	1,935	8,924	10,859	-5774	5,085	-85	5,000		5,000
Organisational Change Fund*	0	4,000	4,000	4426	8,426	-574	7,852	-574	7,278
Insurance Reserve*	0	2,400	2,400		2,400		2,400		2,400
PnLD Reserve	492		492		492		492		492
Community Safety Fund		5,500	5,500	-2,750	2,750	-2,750	0		0
Partnership Executive Group		1,000	1,000	-500	500	-500	0		0
3i		500	500	-500	0		0		0
Force Transformation		20,000	20,000	-10,000	10,000	-10,000	0		0
TOTAL EARMARKED RESERVES	16,546	44,337	60,883	-19,162	41,721	-14,610	27,111	-875	26,236
GENERAL BALANCES - POLICE FUND	40,932	-31,681	9,251	3,721	12,972		12,972	-6,849	6,123

* Likely to be fully or partially utilised by 2016/17 but timing uncertain.

Results – Listening to You First Survey 2014

How much extra would you be prepared to pay for policing next year?

Change in Police Council Tax	All respondents
Reduction	0.3
No increase	18.3
1%	12.2
2%	15.9
3%	14.0
4%	4.5
5%	28.3
Over 5%	2.3
Other	4.2

Base: 1,015

'Other' responses

Responses under 'other' fell into a couple of categories:

- The money should come from other sources, such as central government, local government, from other non-front line services.
- Reductions should be made in other areas first e.g. reducing hoax/false calls for help, becoming more effective and efficient, removing internal waste.
- Indications of a willingness to pay an increase but no amount specified. Sometimes conditions to an increase are stated e.g. if spent on police officers.
- No information to gauge whether an increase is needed.

Significant differences

- More respondents aged 35-54 (21.3%) than over 55s (15.0%) said they wanted to pay no increase.
- The following differences between groups could be seen for the option to pay a 1% increase on their council tax:
 - More BME (23.1%) than white (11.7%) respondents.
 - More female (17.0%) than male (9.7%) respondents.
 - More respondents with disabilities (18.2%) than those without (11.1%).
- BME respondents were more likely to opt for a reduction (1.9% vs 0.2%), no increase (36.5% vs 16.4%) or a 1% increase (23.1% vs 11.7%) than white respondents.
- More white respondents (30.1%) indicated they were prepared to pay a 5% increase than BME respondents (7.7%).
- Those completing the survey who were not contacts were more likely to say they would pay 4% (7.4%) than those who were existing contacts (3.9%).

Demographics

District	Number	%
Bradford	220	21.8
Calderdale	95	9.4
Kirklees	219	21.7
Leeds	310	30.8
Wakefield	163	16.2
West Yorkshire	1,144	

Age	%
Under 35	11.3
35-54	39.6
55+	49.1

Disability	%
Disabled	15.9
Not disabled	84.1

Ethnicity	%
White	94.7
BME	5.3

Gender	%
Male	61.1
Female	38.9

COUNCIL TAX OPTIONS

COUNCIL TAX BAND	Precept Freeze £p	2% increase £p	£5 increase £p
A	90.3351	92.1327	93.6684
B	105.3909	107.4882	109.2798
C	120.4468	122.8436	124.8912
D	135.5026	138.1991	140.5026
E	165.6143	168.9100	171.7254
F	195.7260	199.6209	202.9482
G	225.8377	230.3318	234.1710
H	271.0052	276.3982	281.0052