



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

POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE

REVENUE AND CAPITAL BUDGET 2016/17

EXECUTIVE SUMMARY

- The Police and Crime Commissioner (PCC) is required to determine the council tax requirement for 2016/17, calculate the Band D police council tax and issue the precept to the Billing Authorities by 1 March 2016.
- There is a requirement to notify the Police and Crime Panel of the proposed precept and for the Panel to issue a report to the Commissioner.
- The Police Grant Settlement for 2016/17 reduced formula grant to local policing bodies by 2.25% in real terms. This is a reduction of £6.8m for West Yorkshire.
- Levels of capital support were notified on 4 February 2016 and include an additional central topslice, reducing the West Yorkshire capital allocation from £3.5m in 2015/16 to £2.1m in 2016/17, a reduction of 40%.
- Strategic planning has been based upon the PCC's Police and Crime Plan, the Community Outcomes Framework, the Force Strategic Assessment, based on threat risk and harm, and organisational transformation being managed through the Programme of Change. The Police and Crime Plan and Community Outcomes Framework were designed in partnership and then refined following consultation with a wide range of third sector, criminal justice, community safety and policing partners. The framework is used for planning, commissioning and performance management purposes.
- Utilisation of surplus balances, available through early achievement of savings in previous years, has been targeted on community safety and investment in the force to facilitate the delivery of the transformational change required to ensure its continuing efficiency and effectiveness in the face of the very significant budget reductions required.
- The PCC is working with partners to look at how we work better together to make the best use of diminishing resources and continue to provide improved services to the public.
- After consideration of the draft revenue budget and capital programme for 2016/17, the PCC evaluated two options, namely a 1.99% increase in Police Council Tax and a £5 increase on the Band D (3.6%) before notifying the Police and Crime Panel of his intention to increase the Band D council tax by £5 per annum, to £145.95 allowed under the revised government's referendum criteria.
- The Police and Crime Panel supported the PCC's precept proposal at their meeting on 5 February 2016.
- This will result in a budget of £408.8m. The budget allows for the recruitment of 254 police officers and the protection of PCSO numbers at 565 despite a reduction of over £1m of partner funding.

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1. PURPOSE OF THE REPORT

- 1.1 To provide the relevant information to allow the PCC to approve the revenue budget, capital budget, precept and council tax for 2016/17.

2. RECOMMENDATIONS

- 2.1 It is recommended that:

Revenue

- i) The proposed budget for the Office of Police and Crime Commissioner for 2016/17, as set out in Appendix A, be approved.
- ii) The proposed budget for force requirements and the Chief Constable's proposed allocation of resources for 2016/17, as set out in the Medium Term Financial Forecast at Appendix F, be approved.
- iii) The County's taxbase for the year 2016/17, as calculated and notified by the five District Councils, be noted at 618,017.15
- iv) The PCC agrees the statutory calculations for the year 2016/17, as required by the Localism Act, 2011, as follows:

		£
	2016/17	
a)	The Commissioner's council tax requirement for the year. The aggregate of the amounts which the authority estimates for the items set out in section 42B of the Local Government Finance Act 1992 (as amended by section 75 of the Localism Act 2011) (gross expenditure less gross income)	90,199,170.43
b)	The basic amount of council tax for the year - council tax requirement divided by the taxbase. Calculated in accordance with the formula set out in section 42B of the Local government Finance Act 1992 (as amended by section 75 of the Localism Act 2011)	145.9493

- v) The Commissioner, in accordance with section 40(2) of the Local Government Finance Act 1992 (as amended by schedule 7 of the Localism Act, 2011), sets the following amounts of council tax for the year 2016/17 for the valuation bands shown below:

Valuation Band	(£)
A	97.2995
B	113.5161
C	129.7327
D	145.9493
E	178.3825
F	210.8157
G	243.2488
H	291.8986

vi) The PCC issues a precept of £90,199,170 for the financial year ending 31 March 2016 and authorises his Chief Finance Officer to issue a formal precept demand as follows:

a) to pay the following amounts, calculated in accordance with section 48 of the Local Government Finance Act 1992:

	£
Bradford	19,484,961
Calderdale	8,641,972
Kirklees	16,549,031
Leeds	31,855,931
Wakefield	13,667,276

b) and to make 12 equal payments to the PCC around the 15th day of each month or the following banking day.

vii) **Use of Balances**

The level of balances and reserves as set out at Appendix E be approved.

Capital

- viii) The revised capital budget for 2015/16 and the capital budget for 2016/17 set out at Appendix D be approved.

Section 25 Report

- ix) The Chief Finance Officer's report on the robustness of estimates and adequacy of reserves be accepted.

Earmarked Reserves

- x) The protocol for earmarked reserves at Appendix G be approved.

3. STATUTORY REQUIREMENTS

- 3.1 The PCC is required by the Local Government Finance Act 1992 as amended by the Localism Act 2011 to set a Council Tax Requirement and issue a Precept for the following financial year prior to 1 March. In setting a Council Tax Requirement, the PCC must calculate and agree the aggregate of revenue expenditure, contingency provision and level of reserves.
- 3.2 The Council Tax Requirement, which for the PCC is identical to the Precept, is calculated by deducting the sum of Formula Funding Grant including any addition to or contribution from reserves and after taking account of any surplus or deficit on the Billing Authorities' Collection Funds.
- 3.3 The Precept may only be issued following the conclusion of the scrutiny process by the West Yorkshire Police and Crime Panel. The PCC was 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 2016/17 by 1 February 2016.
- 3.4 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.
- 3.5 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 PCC's proposal is vetoed by the Panel, a revised proposal must be notified to the Panel by 15 February.
- 3.6 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.
- 3.7 Rejection by the Panel of the revised precept does not prevent the PCC issuing it as his precept for the forthcoming financial year.
- 3.8 The Local Government Act 2003 places a duty on the PCC's Chief Finance Officer to make a report to him on the robustness of the estimates and the adequacy of the reserves, and this is included later in this paper.

4. FORECAST OUTTURN 2015/16

PCC's budget

- 4.1 The forecast outturn for the Office of the Police and Crime Commissioner is set out at Appendix A.

Force budget

- 4.2. The latest budget monitoring report covers the period 1 April 2015 to 31 December 2015. The updated Force Revenue Budget for the year at outturn prices is £402.6m (excluding collaboration) At 31 December 2015 there was an underspend of £9.9m (2.4%) against profiled budgets. This reflects the significant work during the year to achieve savings plans as soon as possible due to the early indications that the CSR could bring further cuts of between 25% and 40%.
- 4.3. All individual departmental and district savings targets are on track to be achieved by 31 March 2016.
- 4.4. The latest year end forecast position is an underspend of around £10m but much depends on staff turnover rates, organisational change costs, operational pressures and the scale of any spending pressures bids approved by the Chief Officer Team. In addition to this, there is potentially additional slippage on the 2015/16 Capital budget and this may result in reduced Direct Revenue Financing requirement in 2015/16. Any underspend on this budget will be carried forward through the Capital Financing Reserve as it is required to fund expenditure in 2016/17.
- 4.5. Tight financial management continues in an effort to ensure that any emerging spending pressures are funded by in-year savings and the in-year underspend is maximised. This approach will enable the Force to absorb the additional costs of a number of additional spending pressures.
- 4.6. The Capital Budget 2015/16 at 31 December 2015, excluding the National Police Air Service (NPAS), is £21.054m. Expenditure as at 31 December 2015 was £9.3m, with commitments of £9.6 held on the financial system. The latest forecast outturn is approximately £20m and the budget is being revised accordingly.

5. REVENUE RESOURCES 2016/17

Police Grant Settlement 2016/17

5.1 The Police Settlement was announced on 17 December 2015 in a written ministerial statement and included the following key points:

- The settlement was a one year only settlement which for West Yorkshire was a 2.25% or £6.8m real terms cut in revenue funding.
- The total level of Government revenue funding for Police in 2016/17 is 0.6% less than 2015/16 in cash terms, and all Police areas in England have been subject to the same percentage reductions. For West Yorkshire, this is a £1,726,084 reduction in cash terms.
- An increase in top slicing from £174m in 2015/16 to £227.8m in 2016/17 (31% increase):

	2015-16	2016-17
	£m	£m
College of Policing	5.0	5.0
Emergency Services Network	-	80.0
IPCC	30.0	32.0
HMIC (PEEL)	9.0	9.0
Innovation Fund	70.0	55.0
Major Projects (including Home Office Biometrics and National Police Data Programme)	40.0	21.8
Police Knowledge Fund	5.0	0
Police Special Grant	15.0	25.0
TOTAL	174.0	227.8

The topslicing represents an annual reduction of £9.34m in West Yorkshire's core grant.

- Beyond 2016/17 we do not yet know with any certainty how the policing element of the £1bn investment costs of the Emergency Services Network announced in the Comprehensive Spending Review 2015 will be funded.
- Damping of the funding formula remains unchanged in 2016/17, that is, all PCCs receive the same average cut in government funding. This hits areas like West Yorkshire, with some of the greatest needs, the hardest, due to our greater reliance on government grant.
- The arrangement for reviewing the funding formula for allocating core grant was not announced, although the latest information we have suggests that it is unlikely to be implemented for 2017/18. As yet we do not know what the impact will be on funding for West Yorkshire, again leading to further uncertainty.

- Capping criteria has had additional flexibility built in so that a rise of 2% will trigger a referendum except for the PCCs with the ten lowest Police Precepts who are given the power to increase their band D equivalent precept by £5, West Yorkshire is the 3rd lowest and therefore has this additional flexibility.

Core Funding

5.2. 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 now comes from the Home Office, including historic council tax freeze grants and localised council tax support.

5.3 The 2016/17 settlement including additional topslices and damping, equates to a real terms cut of 2.25%.

	2015/16 £000	2016/17 £000
DCLG/Formula Funding	130,052	129,300
Home Office Police Grant	172,510	171,500
Total Formula Funding	302,562	300,800

5.4. The 2016/17 budget includes the Community Safety Fund (CSF), the grant for which was £5.292m in 2013/14 (base line). The PCC has agreed to passport the CSF to local government partners for an additional year, reducing the allocation in line with the central grant reduction (0.6% cash reduction) continuing his strong commitment to partnership working.

Other Grants

5.5 Localised Council Tax Support and Legacy Council Tax Freeze Grant

Payment of localised council tax support and legacy council tax freeze grant is now funded through the Home Office. West Yorkshire's allocation for 2016/17 is **£16.7m**, which is in line in cash terms with the 2015/16 allocation. At this stage we do not know if the legacy council tax freeze grant will be built into the core grant in future years. The £300.8m core funding shown above added to the £16.7m referred to in this paragraph gives the total external support shown in the MTF of £317.5m.

5.6 Capital Grant

Levels of capital support were notified on 4 February 2016 and include an additional central topslice, reducing the West Yorkshire capital allocation from £3.5m in 2015/16 to £2.1m in 2016/17 a reduction of 40%.

5.7 Counter Terrorism Specific Grant

Allocations to Counter Terrorism units will be announced further into the year, but will not be made public. Funding will be increased from £564m to £640 overall nationally.

5.8 **Other Resources**

The PCC has been notified of monies due to or from the District Councils' Collection Funds. There will be an overall surplus of £1.129m to be carried to 2016/17 and this has been included in the figures presented.

5.9 **Council Taxbase**

The taxbase, which represents the number of Band D equivalent properties in the county, was notified to the PCC by the Billing Authorities at 618,017.15, as compared with the 2015/16 figure of 605,349.78.

6. COUNCIL TAX REFERENDUM LIMITS

- 6.1 On 17 December 2015 Greg Clark, the Secretary of State for Communities and Local Government published details of the referendum principles for English local government alongside the provisional settlement. He confirmed that as in 2015/16 the threshold for triggering a council tax referendum will be 2% and above for all local authorities, including PCCs.

However as previously announced, the 10 police force areas with the lowest precepts (excluding the City of London) will be allowed to increase their Band D precept by £5 (and therefore all other bands with the £5 adjusted by the proportion of Band D that their band makes up). These principles are used to determine whether a police council tax increase is “excessive” which would hence trigger a local referendum.

The Home Office has set a clear expectation that their statement on protecting police funding is based on the assumption that police precept flexibilities are maximised.

Our Community Conversation Survey shows that over 76% of respondents across West Yorkshire would support a police council tax increase of £5.

7. CAPITAL RESOURCES 2016/17

- 7.1 Capital expenditure may be financed in the year it is incurred by a variety of means including the application of capital grants, use of capital receipts or by a charge directly on the revenue budget. Financing expenditure by loan allows the capital cost to be charged to revenue over a number of years, the charge being the minimum revenue provision or MRP. The interest due on external borrowing undertaken in support of the loan financing is also a charge to the annual revenue budget.

- 7.2 West Yorkshire’s capital allocation is as follows:

	2013/14 £m	2015/16 £m	2016/17 £m
Capital Grant Allocation	4.2	3.5	2.1

- 7.3 Currently receipts from the sale of capital assets (capital receipts) may be used solely to finance new capital expenditure.
- 7.4 There is no restriction, other than affordability, on the amount of capital expenditure that may be financed immediately from the revenue budget, referred to as direct revenue support.
- 7.5 Under the Local Government Act 2003, the PCC is able to determine how much capital expenditure he can afford to finance by unsupported or prudential borrowing (which does not attract any government grant) having regard to the Prudential Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Act requires that the Commissioner set an affordable limit for borrowing each year in accordance with the Code, subject to the scrutiny of the external auditor. The prudential indicators, including the authorised limit for borrowing, are set out in the Chief Finance Officer’s report on treasury management.

8. REVENUE BUDGET 2016/17

PCC Budget

- 8.1. The draft budget for the Office of Police and Crime Commissioner is set out at Appendix A. This has been reduced from 2015/16 in proportion to the funding reductions on the force. Work is ongoing on prioritising functions within the office, and seeking alternative funding streams to enable the office to better meet the different demands required in supporting the PCC.

Force Budget

- 8.2 The Draft Base Budget for 2016/17 reflects the following key issues and assumptions:

- Reduction of 2.25% (real terms) per year in main grant from 16-17 onwards.
- There is no guarantee of freeze grant beyond 2016/17.
- £5 increase in precept in 2016/17 to protect PCSO numbers and fund additional officers.
- 1% pay award.
- Increased employer National Insurance Contributions of £9.4m due to legislative changes.
- Apprentice levy tax £1.5m (from 2017/18)
- Reduction in partner funding for PCSO's in 16/17 of £1m.
- Additional cost of Sexual Assault Referral Centre (including paediatric) £333k.
- Revenue consequences of capital/transformational schemes £463k.
- Paper records review £682k over two years
- Reduced central Regional Organised Crime Unit funding £400k.
- Mainstreaming of operational initiatives (Cyber, Child Sexual Exploitation, Human Trafficking and historic case) from 1/4/16.
- Savings from non-pay review £2.34m.
- Additional costs for West Yorkshire Police of £300k for the National Police Air Service.
- Additional cost of recruitment, (pump prime funding) £1.5m.
- Pay inflation assumption of 1% on pay and general running costs, except where increases are specifically tied to contracts.

- 8.3 The summary movement statement from 2015/16 to 2016/17 is attached at Appendix B, and the impact on force strength is shown at Appendix C.

9. CAPITAL PROGRAMME 2016/17

- 9.1 The draft Capital Budget for 2016/17 and forecast through to 2019/20 with associated funding is attached at Appendix D. The draft budget only includes schemes/projects that have already been considered and included in the 2015/16 budget and beyond. This includes:

- continuation of funding for the transformation programme;
- a continuing programme of Minor Works and Health and safety works;
- a continuing programme of Estates/Asset Rationalisation works;
- IT replacement programme; and
- Vehicle Equipment replacement programmes.

- 9.2 Bids for new capital expenditure are being dealt with through the Force Transformation Fund, described at section 12 below and the Assets Board. These will be considered by the PCC on receipt of costed business cases.
- 9.3 A funding strategy for the period of the forecast is shown at the bottom of Appendix D. It includes Capital Grant of £2.13m for each year of the programme. The level of capital receipts assumed in the programme totals £18.625m and reflects the Estates Department's latest assessment based on planned disposals over the period of the forecast. Direct Revenue Support for 2016/17 is £7.55m and the balance of funding is from the Transformation Fund.
- 9.4 A Capital Financing Reserve was established in 2013/14 to provide additional flexibility in the financing of the capital programme in the light of the ongoing treasury management strategy of deferring new long term external borrowing by use of surplus cash within the cash flow.
- 9.5 While interest rate forecasts do not currently indicate any immediate prospect of sharp increases in borrowing rates, it would be prudent to have sufficient funds available to take advantage of the historically low rates currently on offer from the Public Works Loans Board should the situation look likely to change. Rather than include this in the base budget and risk continued underspends, the reserve was created to allow for the flexibility to take up part or all of the under borrowing at short notice without the need for any additional budget approval.

10. STRATEGIC PLANNING

- 10.1 Strategic planning has been based upon the PCC's Police and Crime Plan, the Community Outcomes Framework, the Force Strategic Assessment (based on threat risk and harm), and organisational transformation being managed through the Programme of Change. The Police and Crime Plan and Community Outcomes Framework were designed in partnership and then refined following consultation with a wide range of third sector, criminal justice, community safety and policing partners. The framework is used for planning, commissioning and performance management purposes.

11. OPERATIONAL CONTEXT AND WORKFORCE PLANNING

The 2016/17 budget is based upon the following numbers at 31 March 2017:

	Officers	Staff	PCSOs	Total:
Total FTEs	4,786	3183	565	8534
National or Regional Commitments including, NECTU, Regional Crime NPAS, Regional Scientific Support, VIPER and national firearms.	327	606		
WY core availability	4,459	2,577	565	7,601

- 11.1 Despite the rhetoric that policing has been protected, a serious concern remains about the longer term pressures given the very significant reduction in the size of the Force, and the increasing demand and complexity of policing activity. The following

table provides further information around the types of threats, risks and harm facing West Yorkshire Police, partners and its communities.

Total Crime	Total crime per 1,000 population has increased within West Yorkshire, primarily due to improved crime recording processes. The need to ensure real increases are identified is also needed to ensure risk to the public is addressed.
Domestic Burglary	There is still a relatively high rate of domestic burglary despite, and increases have been seen again primarily due to improved crime recording processes but also due to some localised increases.
Mental Health	The Force is reviewing ways in which it can protect the vulnerable, and a number of pilot schemes are being considered.
Child Sexual Exploitation	This continues to be a key risk for the Force and partners, with investment in historical investigations, improved confidence to report, and large scale investigations leading to significant increases in reports of child sexual exploitation.
Human Trafficking	This issue is gathering momentum in a similar way to child sexual exploitation, showing an increase in recorded incidents and referrals for support. The profile of human trafficking has also increased nationally.
Cyber Crime	This is a growing issue that is acknowledged to be widely under reported and has received further resource locally.
Domestic Abuse	This continues to be a key priority for West Yorkshire Police and partners and has led to the creation of a West Yorkshire Domestic Abuse Board. Over the last year there has been a slight increase in the repeat victimisation rate for domestic abuse.
Serious Sexual Offences	This continues to be a key priority, despite an increase in conviction rates and increased reporting.
Anti - Social Behaviour	ASB is a key priority for communities.

- 11.2 Other issues include organised crime, terrorism, drugs, firearms, forced marriage, female genital mutilation, and community cohesion including hate crime, public order and road safety all of which will require either significant or continued investment as demand for service remains high.
- 11.2 The longer term position also needs to ensure that our operating model remains fit for purpose for the future and growing operational challenges, e.g. Cyber Crime, Child Sexual Exploitation, Human Trafficking, Sexual Offences, and Domestic Abuse. It also needs to take into account the changing Strategic Policing Requirement, which now includes a focus on child sexual exploitation as well as Counter Terrorism.

11.3 The above threats and risks are reflected in the 2016/17 budget through:

- The mainstreaming of the operational initiatives (Cyber, Child Sexual Exploitation, Human Trafficking and historic case) which will be funded within the core budget rather than through reserve.
- Setting aside additional funding for the partnership executive group to cover areas such as domestic abuse and mental health.
- Setting aside additional funding for community safety projects covering areas such as preventing anti-social behaviour and domestic burglary.

12. PROVISIONS, RESERVES AND BALANCES

12.1. The adequacy of provisions, reserves and general balances is reviewed as part of the budget planning process and again at the year-end during the closure of accounts. The current position is shown at Appendix E.

12.2 Local Authority Accounting Panel Bulletin (LAAP) 77 recommends using a risk-based approach to determine the minimum prudent amount which should be held in general balances. An exercise has been undertaken to identify the main risks likely to be faced by the force, strategic, operational and financial. An assessment is made of the likely impact on force budgets and the probability of each event occurring. The overall total resulting from this exercise is around £10.2m for 2016/17.

12.3 The LAAP Bulletin also requires that for each earmarked reserve there should be a clear protocol setting out the reason for the reserve, how and when it can be used, and management, control and review processes. A protocol for the PCC's earmarked reserves is set out at Appendix G for approval.

12.4 The PCC (and former Police 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 levels anticipated at the end of 2016/17. Balances transferred from the Authority were £30.7m, and at 1 April 2014 these stood at £20.4m (now allocated to various projects within the Transformation Fund). It was anticipated that the surplus amount would largely be utilised over the remaining years of the MTFF.

12.5 The focus of the financial strategy will be on sustainability and affordability, and therefore it has been assumed that the investment which commenced in 2014/15 from the transformation fund will continue, and bring about reductions in the base budget. The utilisation of the one-off surplus balances for re-investment will enable fast diminishing numbers of staff and officers to work smarter and 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 wherever possible making the most of new mobile technology.

12.6 The PCC will continue to consider 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.
- Critical operational and organisational issues.
- Transforming the organisation to meet the financial challenges.

- 12.7 The Chief Constable of West Yorkshire Police continues to implement the Programme of Change to help transform the organisation to make the required savings and meet the challenging and changing policing requirements in West Yorkshire. This organisational reform has been recognised and well received by the HMIC, which has acknowledged the serious and unequal financial situation that West Yorkshire Police are in as compared to other forces.
- 12.8 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.
- 12.9 Both the Force and the PCC are continuing work with a range of partners to explore alternative delivery systems, and to identify projects, based on mutually desirable outcomes, which may attract external funding e.g. Home office innovation fund, Community Safety Review, Partnership Executive Group, CSP Forum, DV Group etc.
- 12.10 The PCC has earmarked from the general reserve an additional £1m for Community Safety initiatives across West Yorkshire and £1m for the Partnership Executive Group innovation fund to continue to drive collaboration across agencies in West Yorkshire.

13 LONGER TERM PROJECTIONS

- 13.1 Accompanying the final settlement on the 4 February 2016 was an **indicative** breakdown of how much funding will be directly allocated to PCCs over the life of the spending review. This indicated that the CASH reduction is likely to be constant at 0.6% reduction each year for core funding. Clearly this would change with any revision of the funding formula that allocates central grant.

14. COUNCIL TAX OPTIONS

- 14.1 Two options have been considered by the PCC in relation to the precept:
- 1) Increasing the Council Tax by 1.99%
 - 2) Increasing the council tax by £5 on a band D property (3.6%) to exercise the flexibility given to the ten PCCs with the lowest Police Precepts (West Yorkshire is the third lowest).

Key to the discussions was the consideration of future demands on West Yorkshire Police and the uncertainty that remains over funding for West Yorkshire in the medium to long term.

The PCC continues to work with partners to look at how we work better together to make the best use of diminishing resources and continue to provide improved services to the public.

- 14.2 The PCC has recently undertaken a 'Community Conversation' to gain views from members of the public around policing. One aspect of the survey was to ask whether or not respondents would be prepared to pay the additional £5 (Band D equivalent) for policing next year. **76% of respondents said they would be prepared to pay the proposed increase.**

14.3 The results are shown at **Appendix A** and summarised below:

Would you be prepared to pay the proposed increase on the police element of your council tax?

NB only responses where the respondent says they pay council tax and live in West Yorkshire have been included.

	West Yorkshire	Bradford	Calderdale	Kirklees	Leeds	Wakefield
Yes	76.1	78.2	72.2	74.9	77.7	72.9
No	16.8	14.5	19.8	19.3	14.6	20.3
Don't know	7.1	7.4	8.0	5.9	7.7	6.8
Base:	2680	774	212	529	766	399

14.4 In context, a £5 increase in the police precept (at Band D), based on projected taxbase levels, would provide an additional £3,090,086 of funding in cash terms into the base budget in 2016/17.

Details of the impact on police council tax for the two options shown below.

Band	Current Charge *£	Charge with 1.99 raise £ (Option 1)	Increase £	Charge with Band D £5 raise £ (Option 2)	Increase £
A	93.97	95.84	1.87	97.30	3.33
B	109.63	111.81	2.18	113.52	3.89
C	125.29	127.78	2.49	129.73	4.44
D	140.95	143.75	2.80	145.95	5.00
E	172.27	175.70	3.43	178.38	6.11
F	203.59	207.64	4.05	210.81	7.22
G	234.92	239.59	4.67	243.25	8.33
H	281.90	287.51	5.61	291.90	10.00

*Third lowest Council tax in England and Wales (see Appendix E)

14.5 A £5 increase would take the Band D police council tax for 2016/17 to £145.95 a year. Approximately 61% of households in West Yorkshire are in Bands A and B, and would pay £97.30 and £113.52 respectively, an increase of approximately six pence per week for band A, seven pence per week for band B and ten pence per week for band D.

14.6 The leaders of the West Yorkshire Combined Authority were supportive of the initial precept proposal when they were consulted at a Leaders Meeting on 14th January 2016.

15. THE PRECEPT PROPOSAL

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

- Operational resilience.
- Key recruitment strategy for Specials, PCSOs and volunteers.
- Public views obtained from the Community Conversation.
- The impact on frontline policing and the potential for recruitment of police officers in 2016/17 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.
- Savings made to date and the capacity for future savings.

West Yorkshire Combined Authority staff put together a table showing the impact on Council Tax charges across West Yorkshire for 2016/17 if all flexibilities are used (i.e. 4% council tax (to include the 2% new social care precept); 2% fire and 3.6% police). The cumulative impact is a potential increase of 3.87%.

n.b. These figures (in £s) exclude parish precepts and are for **Band D properties**, unless specified otherwise.

Authority	2015/16 Total Council Tax Bill	Indicative Council Tax	Social Care Precept	Fire precept	Police precept	Total Bill	Increase in Total Bill	Total Bill (16/17) Band A
Bradford	1,351.60	1,175.15	23.04	59.71	145.95	1,403.86	52.26	935.90
Calderdale	1,450.92	1,276.46	25.03	59.71	145.95	1,507.15	56.23	1,004.77
Kirklees	1,466.64	1,292.49	25.34	59.71	145.95	1,523.50	56.86	1,015.66
Leeds	1,368.29	1,192.18	23.38	59.71	145.95	1,421.21	52.92	947.48
Wakefield	1,360.92	1,184.66	23.23	59.71	145.95	1,413.55	52.63	942.37

- 15.2 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.
- 15.3 Continuing the recruitment of police officers and protecting the current number of PCSOs to protect the frontline as far as possible is a priority for the PCC, and one which requires a sustainable source of revenue funding and underpins the Specials and police volunteers strategy going forward.

Given the severe reductions in government support faced in the next CSR period, the only means of allowing for any police officer recruitment above our budgeted establishment (which is 1224 officers lower than 2010) is to increase the police council tax.

This has been a difficult decision given the current economic climate, and the PCC is acutely aware of the potential financial impact on individuals within the community, but also takes note of the public feedback with a majority supporting the level of increase proposed.

To put the decision in context, however:

- The Force has suffered reductions of approximately 2,000 employees (officers and staff) since 2010/11 to date.
- Cuts of £140m have been made to the funding of West Yorkshire Police.
- The demand on policing is increasing, with new threats emerging there a more complex workload which requires more resource to tackle it .With a changing

crime mix the College of Policing has found that the average cost per crime has actually increased by 25%.

The PCC feels that, despite personal impacts in communities, maintaining core operational resilience is imperative in order to keep the communities of West Yorkshire safer, and feeling safer.

15.4 The PCC has therefore decided to support Option 2, and the MTFF and summary movement statement from 2015/16 to 2016/17 are attached at **Appendices B and F**.

15.5 The PCC notifies the Panel of his intention to increase the police council tax precept by £5 (3.6% on Band D), in line with the Home Office funding statement expectations. Each 1% on the police council tax generates around £853k in precept based on the 2016/17 tax base and is built into the base budget.

The additional £3.09m that this precept increase would bring is 3.54% in cash terms and 1.83% (£1.59m) increase on the overall precept income in real terms.

15.6 The PCC's proposal would result in a budget of £408.8m. Alongside the savings made through the Programme of Change, and the zero based budgeting exercise, this will allow PCSO numbers to be protected at 565 despite the £1m reduction in partner funding and additional Police Officer recruitment of 254 officers to restore the posts removed in 2015/16.

16. ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

16.1 Section 25 of the Local Government Act 2003 requires that a report be made by the Responsible Financial Officer to the Commissioner when he is considering his budget and council tax. The report must deal with the robustness of estimates and the adequacy of reserves allowed for in the proposals.

16.2 As the council tax is set before the year begins and may not be increased during the year the Commissioner must consider risks and uncertainties which might result in spending more than planned. These risks and uncertainties include

- The delivery of the significant level of savings identified to balance the budget.
- The global economic climate and in particular, levels of inflation, interest rates for borrowing and investment, security of investments, availability and viability of competitive suppliers and so on.
- A high degree of uncertainty surrounding future funding assumptions
- Risk sharing in respect of the localisation of council tax benefit
- Potential reduction in external funding from partners.
- The impact of unforeseen events which would fall initially on general balances.
- The need to meet new national standards and demands.
- The impact of increasing mandate of national contracts.

16.3 Allowance is made for these risks by:

- Making prudent allowance in the estimates on each of the budget headings.
- Ensuring that there are adequate reserves to draw on if the estimates turn out to be insufficient.

- Robust financial management processes throughout the year to identify emerging spending pressures and manage them appropriately.

16.4 With reference to robustness, the budget estimates are prepared and validated by qualified staff in the force Finance Department with due care and attention and in accordance with appropriate professional standards. The estimates are consistent with the latest assumptions on timescales for delivery of the programme of change as agreed by the Chief Officer Team.

16.5. Known spending pressures have been identified and provided for within the base budget. Provision has been made for specific inflationary pressures on both pay and prices, although some budget heads have been cash limited. Savings identified have been deducted from the budget and these have been phased in such a way that there is a justifiable expectation that they will be achieved, although the assumptions made are more significant than in previous spending review periods.

16.6. The costs of borrowing and the estimate of investment interest are based on latest forecasts of interest rate movements during the year in accordance with the Treasury Management Strategy.

16.7 The position faced by the PCC following the Government's Spending Review is very challenging based on the scale of the reductions required, and this is likely to continue beyond the current Spending Review period. Substantial effort and resources have been committed to achieving a balanced budget with least impact on service delivery. The longer term strategic planning process and organisational change programme will continue to consume significant levels of resource alongside the ongoing requirements of daily business.

16.8 On adequacy of reserves, an appropriate level of general balances has been assessed using a risk-based approach in accordance with CIPFA guidance, and the budget proposals allow for this level to be maintained. While balances are currently adequate, there are significant uncertainties in the medium term forecast as outlined above. The adequacy of the insurance provision against estimated known liabilities is assessed throughout the year and at the year-end.

17. NOTIFICATION TO THE WEST YORKSHIRE POLICE AND CRIME PANEL

17.1 On 28th January the PCC notified the Police and Crime Panel for West Yorkshire of his proposed precept for 2016/17. The Panel formally considered the proposal on 5th February, and, as it is required to do by law, has issued a report on that proposal.

17.2 The Panel considered the Commissioner's proposal and supported a 3.6% per annum increase at Band D. A copy of the Panel's report, including the recommendations made to the PCC, and the PCC's response is included at Appendix I.